

COUNTRY COMMERCIAL GUIDE 2002 CAMBODIA

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Chapter 1: Executive Summary

This Country Commercial Guide presents a comprehensive look at Cambodia's commercial, economic, and political environment.

Cambodia is a developing country with a market economy. The Constitutional Monarchy was re-established after more than 20 years of civil war and communist rule in 1993. The current coalition government was sworn in on November 30, 1998 with Hun Sen, of the Cambodian People's Party, as Prime Minister. Prince Norodom Ranariddh, leader of the FUNCINPEC party is president of the National Assembly. The government has pledged to devote its full energies to accelerating economic development in Cambodia through the implementation of an ambitious economic and political reform program. Bilateral and multilateral support and closely monitor the government's reform program. The IMF, World Bank and Asian Development Bank are all active in Cambodia.

Significant gaps in the nation's legal and institutional frameworks limit business confidence in Cambodia, but there are opportunities for U.S. exporters and investors. The Cambodian government currently offers a generous package of incentives to foreign investors and imposes few restrictions on imports from abroad. Cambodia enjoys Normal Trade Relations and GSP benefits from the United States and many other trading partners. Cambodia is a member of ASEAN and on track to join the ASEAN Free Trade Area. Cambodia is also in the process of applying for accession to the WTO.

Persons seeking additional information about opportunities for U.S. businesses in Cambodia should contact the Economic/Commercial Officer, Stephen A. Druzak, (DruzakSA3@state.gov) at the U.S. Embassy in Phnom Penh. The Economic Office telephone is (855) 23-216-436, Ext. 128; the fax number is (855) 23-216-811. The United States mailing address is American Embassy Phnom Penh, Box P, APO, AP 96546; the international address is U.S. Embassy, No. 16, Street 228, Phnom Penh, Cambodia.

Country commercial guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact Stat-USA at 1-800-Stat-USA for more information on the CD version. Country Commercial guides can be accessed via the World Wide Web at <http://www.stat-usa.gov>, <http://www.state.gov>, and <http://www.mac.doc.gov>. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information/assistance and country-specific commercial information should contact the U.S. Department of Commerce, Trade Information Center, by phone at 1-800-USA-TRADE or by fax at (202) 482-4473.

Chapter 2: Economic Trends and Outlook

2.1. Economic Trends

Cambodia is a developing country with a market economy. GDP in 2001 was estimated to be 12.5 trillion Cambodian riel (about \$3.2 billion), or \$257 per capita, among the lowest levels in the world. In terms of purchasing power parity, this is estimated as being equal to the standard of living purchased by \$1500 per year in the United States. Once one of south east Asia's most stable and prosperous countries, Cambodia's social and economic institutions were severely disrupted by the agrarian collectivist policies of the Khmer Rouge regime from 1975-79 and the period of communist central planning that followed under the Vietnamese-backed People's Republic of Kampuchea. The Cambodian government officially adopted market economics in 1989, but it was not until after the 1991 Paris Peace accords, which led to the re-establishment of the constitutional monarchy in 1993, that the economy began to grow.

From 1993 to 1996 Cambodia's GDP grew at an average rate of 6.1 percent in real terms, climbing from \$2.19 to \$3.1 billion. However, growth slowed substantially in mid-1997 following the July 5-6 factional fighting in Phnom Penh and the onset of the Asian financial crisis; GDP increased by just one percent in real terms in 1997 and 1998. The economic slowdown, coupled with continued high population growth, led to a decline in Cambodia's per capita GDP from \$292 in 1996 to \$247 in 1998. Political stability returned to Cambodia in late 1998 with the establishment of the current coalition government, and real economic growth resumed at a rate of 6.6 percent in 1999, exceeding government expectations. Real growth rate for the year 2000 was 5.0 percent, vice 5.5 percent forecast by the Ministry of Economy and Finance (MEF). Despite the impact of September 11 on Cambodia's tourism industry and the world-wide economic slowdown, GDP grew at 5.4 percent in 2001. The MEF predicts 5.5 percent growth in 2002.

Since 1993, the Royal Government of Cambodia has undertaken a program of economic reform, aided by the IMF, World Bank, ADB, UNDP, and other bilateral and multilateral donors. Even during the period of political disruption and poor economic performance in 1997-98, the government maintained macroeconomic stability through generally tight monetary and fiscal policies. Although inflation increased from its 1995 low of 3.5 percent, it remained under control at 9 percent in 1997 and 13.5 percent in 1998. The MEF reports that there was zero inflation in 1999. In 2000, Cambodia witnessed .8 percent deflation, stemming from lower food prices and a stable exchange rate; deflation in 2001 was .6 percent. Cambodia's currency has been relatively stable since 1993, with the exception of a sharp depreciation in 1997-98. The annual average exchange rate for 2000 was 3,880 riels/US\$1; in 2001, the riel depreciated approximately one percent. Maintaining a stable exchange rate is a priority of Cambodia's current IMF program. Cambodia's economy is heavily dollarized, with the U.S. dollar accounting for an estimated 70 percent of the nation's total liquidity (M2), equivalent to 15 percent of GDP in 2000. As of November 2001, foreign currency deposits represented some 95 percent of the total deposits in Cambodia's commercial banks, excluding provincial branches of the central bank, and remain the main engine behind broad money growth.

The Cambodian government's reform program is highly detailed and closely monitored by the donor community. The subject of good governance has been a major theme of the reform process since 1999, and the government has produced an action plan to address such issues as civil service, judicial, and legal reform, improving the quality of public services, and attacking corruption. Additional areas under donor scrutiny are forest management, military demobilization, and revenue collection.

Reform results have been mixed. Improvements in governance are lagging, with implementation of existing procurement regulations and much needed legal and judicial reform still on the horizon. In contrast, Cambodia made considerable progress in 1999 in improving control of the forestry sector, beginning with a successful crackdown on illegal logging which was sustained into 2001. The Cambodian government is now in the process of re-defining its entire forestry management system, though progress has slowed. Delays in preparation of sustainable forestry management plans by logging companies have resulted in the government suspending cutting in concession properties. Cambodia also made considerable progress toward reducing the size of its military. A pilot demobilization in May 2000 initiated a three-year effort to reduce the armed forces by over 30,000 soldiers, necessary to free funds for social sector spending. By the end of 2001, 16,500 troops had been demobilized. This equates to a reduction of 11.5 percent in the Cambodian military.

The government improved its revenue collections through the successful – though limited – implementation of a value added tax in early 1999. Domestic revenue in 2001 was 7 percent higher than in 2000, but the increase came mainly from non-tax sources such as aviation fees and textile quotas. At about 12 percent of GDP, Cambodian government revenues remain low even by developing country standards. This impediment to increased public spending and investment means

that Cambodia remains heavily reliant on foreign assistance for every aspect of national reconstruction. In October 1999, Cambodia secured the first installment of an \$81.6 million IMF Poverty Reduction and Growth Facility loan, of which \$52 million has been disbursed. The World Bank approved a Structural Adjustment Credit worth \$30 million in February 2000. Disbursement of the final portion of the Structural Adjustment Credit is on hold, pending Cambodian government action to implement required reforms. In June 2001, donors pledged \$611 million to support the Cambodian government's reform program for the coming year.

Cambodia ran an estimated trade deficit of \$380 million in 2000. With local energy resources limited to small hydro power plants, firewood, and charcoal, and little domestic industry, Cambodia's major imports include petroleum products, cement and other construction materials, vehicles, tobacco, and broad range of consumer products. Garments dominate Cambodia's exports, accounting for over \$965 million in 2000 and \$1.12 billion in 2001, or 88.3 percent of total exports. More than 70 percent of Cambodian garment exports go to the United States. The garment industry has been Cambodia's greatest success, growing from seven factories exporting \$4 million in 1994 to over 200 factories today. The industry now employs approximately 188,000 workers, nearly 90 percent of whom are young women, and pays wages of about \$13 million per month. Other principal Cambodian exports include timber and wood products, latex and rubber, and fishery products.

Cambodia and the U.S. have full and expanding trade relations. The U.S. lifted the embargo on trade with Cambodia on January 2, 1992. After legislative action by Congress in September 1996, Normal Trade Relations (NTR) were established between the U.S. and Cambodia in October 1996 upon the signing of a comprehensive Agreement on Trade Relations and Intellectual Property Rights Protection. President Clinton subsequently designated Cambodia as a Least Developed Beneficiary Developing Country under the U.S. Generalized System of Preferences (GSP) program on May 30, 1997. Cambodia and the U.S. signed a three-year bilateral textile agreement on January 21, 1999. This provided export quotas for 12 categories of textile and apparel products. The textile agreement included provisions for quota increases based on Cambodian labor conditions meeting international standards; passage of new labor laws resulted in a quota increase that enhanced the growth of Cambodian apparel exports to the United States. The agreement was recently extended for a further three years. U.S. exports to Cambodia are likely to remain modest for the near term. The U.S. exported approximately \$37.5 million worth of goods to Cambodia in 1999, including used vehicles and spare parts, cigarettes, and used clothing.

A key objective of the Cambodian government's reform program is to improve Cambodia's attractiveness as a destination for foreign direct investment (FDI) in order to enhance economic growth. Although Cambodia's current Law on Investment establishes an open and liberal foreign investment regime, FDI dropped substantially with the political instability of 1997, and has not recovered. The Council for the Development of Cambodia (CDC), the government's investment agency, approves requests from firms wishing to take advantage of investment incentives. CDC reports that new investment commitments of this type dropped to only \$448 million in 1999 and plummeted to \$270 million in 2000, compared to an average of over \$800 million per year between 1995 and 1998. According to CDC, approved investment in 2001 consisted of 48 initial or expansion projects valued at \$218 million. This brought investment to the lowest point since the government began compiling these statistics in 1994. Official explanations for the decline in project applications range from poor infrastructure and inappropriate allocation of garment quotas to the regional financial crisis.

The removal of funds tied to inactive projects from investment statistics shows that the level of funds actually entering Cambodia, as opposed to that merely promised, is significantly less. According to CDC, fixed asset investments promised from 1994 through 2001 totalled \$6.1 billion; those associated with active companies now reach only \$2.1 billion. An examination of investment

patterns for active projects shows that tourism - the hotel and entertainment industry - was responsible for 27 percent of the total, followed by the garment industry, which created 18 percent. Agricultural investment projects accounted for only two percent of all accepted proposals. American investment in Cambodia to date has been modest, with the largest investors being Caltex, which constructed a chain of service stations and a terminal in Sihanoukville, Northbridge Associates, with an international school and residential property, and Shelby corporation, which established a glove manufacturing facility. There are currently over 100 U.S. companies or firms representing U.S. products and services operating in Cambodia. Cambodia is a member of ASEAN and the ASEAN Free Trade Area (AFTA). It has not yet completed its program to reduce tariffs as required by AFTA. Cambodia has begun the process of accession to the WTO.

2.2. Principal Growth Sectors

Agriculture: The agricultural sector, including rice farming, livestock, forestry, and cultivation of other crops, provides direct employment to more than 75 percent of Cambodia's labor force.

According to the MEF, agriculture's share of GDP decreased from some 42 percent in 1996 to 37 percent in 1999. Further decline in the relative importance of this sector was witnessed in 2000, as it dropped to 32 per cent of GDP. This trend reflects the rise of the garment and tourist industries. Excellent rice harvests in 1999 contributed to Cambodia's better-than-expected economic growth. Despite floods and droughts in 2000 and 2001, harvests remained relatively steady, thanks to an increase in area under cultivation. With a large amount of arable land, ample rainfall, and close proximity to the major ASEAN markets of Thailand and Vietnam, Cambodia has strong growth potential in the agriculture sector. A number of plantation agriculture projects are underway in the areas of palm oil, cashew nut, coffee, tea, and vegetable production. However, Cambodia's failure to realize its agricultural potential is reflected by the fact that much of the nation's domestic demand for vegetables is currently met by imports from neighboring countries. The Ministry of Commerce attributes this to inadequate production capacity.

The Government has taken note of the growth potential of the sector as well as the important role increased agricultural production can play in reducing rural poverty in Cambodia, and has designated the Ministry of Agriculture, Forestry, and Fisheries as one of four priority ministries to receive expanded budgets. Factors limiting agricultural production include unclear land ownership, a lack of irrigation infrastructure, inadequate transportation, inefficient marketing, poor farming practices, and poor public sector support services.

Services: The services sector represented an estimated 37 percent of GDP in 1999, growing to some 38 per cent in 2000. The government forecasts continued strong growth in services; the sector is expected to become 45 per cent of GDP by 2002. Trade, transport and communications, and tourism are the major elements, comprising more than 50 per cent of the total service sector. The Cambodian tourism industry depends heavily on visitors to Angkor Wat, a thousand year-old temple complex at Siem Reap, in the country's northwest. The service network for tourists is still relatively undeveloped, and consists primarily of hotels. The Ministry of Tourism stated that tourist arrivals in 2000 increased 26 percent over the previous year and projected - pre-September 11, 2001 - that they would grow by 35 percent annually from 2001-2002. Actual tourist arrivals in 2001 ended 16 percent higher than in 2000. The Ministry of Tourism hopes that the number of inbound tourists will increase to one million a year by 2003. Tourism is deemed one of the most promising sectors of the economy, with great potential to generate both foreign exchange and income and is a preferred sector under Cambodia's foreign investment regulations.

Industry: Industrial growth has been dominated by the expanding garment manufacturing industry. Garment exports to the U.S. market surged by 43 percent from \$515 million in 1999 to \$736 million in 2000; exports to the U.S. reached \$793 million in 2001. Cambodia's worldwide garment exports amounted to \$1.1 billion in 2001, a 13 per cent increase over 2000, with exports to the European Union increasing by 38 percent.

Construction is also a strong player in the industrial sector, accounting for about a third of all industrial activity. Although construction only grew 4.9 percent in 1999, the MEF projected that the sub-sector would grow by about 12 percent a year for the next several years. However, the number of construction projects approved in Phnom Penh in 2001 actually dropped by five percent compared to 2000. Confirmation of this trend from statistics on importation of construction material is mixed. Although imports of cement during the first eleven months of 2001 rose 8 percent relative to the same period in 2000, steel imports dropped 8 percent, though this may reflect the inability of the government to collect information on all items entering the country. Cement represents 90 percent of the construction materials imported in 2001. However, spending for infrastructure projects and for office and residential construction and rehabilitation is expected to continue to fuel the growth of this sub-sector.

2.3. Government Role in the Economy

Cambodia has a free market economy. It has eliminated most non-tariff barriers to trade and screens investments only to award investment incentives. Cambodia's legal structure and government policies are intended to promote exports and attract investment. However, potential cuts in investment incentives recommended by the international financial institutions are under consideration.

Even in the communist era, the state-owned industrial base was small and poorly managed. The government began to sell and lease government assets as early as 1989. Under the terms of a privatization agreement worked out with the IMF in 1994, a few additional state-owned enterprises were sold and many more were leased. The role of state-owned enterprises in the economy is not significant today.

Since its establishment in 1993, the Royal Government of Cambodia has adopted a budget statute and increased the transparency of Government budget operations. Off-budget revenues and expenditures are significant, but difficult to measure. More than 30 years of conflict have left Cambodia with a government budget heavily skewed toward defense and security expenditures, which together accounted for 42.7 percent of official government spending in 1999. Freeing budget resources to address poverty reduction is the overriding goal of the government's reform program, and the Government has committed to significantly increase spending on the priority social sectors of health, education, agriculture, and rural development. However, line ministries complain that budgetary disbursements in these sectors lagged significantly in 2000, especially at the provincial level. Moreover, according to the government's development blueprint for 1996-2000, the government failed to achieve its objective of allocating 65 percent of its budget to rural areas. The budget for 2002 reflects increases in social spending and a reduction in the security budget; with defense and security spending dropping to 2.72 percent of GDP and social spending reaching 4.07 percent.

Cambodia is still in the process of developing a regulatory framework that will assure the health and safety of individuals and companies operating in the free market economy. In the health sector, Cambodia has legislation regulating pharmacies and pharmaceuticals. In May 2000, the National Assembly passed a law on quality of goods and services, comprising food safety, consumer protection and product liability. A new Land Law was passed in July, 2001 and a new Forestry Law is under review at the National Assembly. A Trademark Law came into effect in February 2002, while a Business Organization Law and Copyright Law are expected by the end of the year.

2.4. Balance of Payments

According to MEF, Cambodia's 2000 current account deficit, excluding official transfers (grant aid) was estimated to be \$387 million, or 12.5 percent of GDP. The deficit was financed mainly by official development assistance grants (\$211 million) and loans (\$97 million), and foreign direct investment (\$130 million). As of the end of 2000, Cambodia's gross official reserves were equivalent to 3.6 months of imports.

Cambodia's foreign debt is equal to approximately \$1.3 billion, the majority of which is owed to Russia for debts incurred to the countries of the former Council for Mutual Economic Assistance, including the Soviet Union. Cambodia has not yet reached agreement with the Russian Federation on repayment of its debt. Cambodia's second largest creditor is the United States. Cambodia signed a Terms of Reference with the Paris Club of creditor nations in 1995 awarding Cambodia's official debt the Club's most favorable terms (Naples terms). Based on these terms, the U.S. Government presented a draft bilateral debt rescheduling to the Cambodian government in 1995, but Cambodia has not yet signed the agreement. To maintain prudent debt management, the government intends to refrain from contracting or guaranteeing any non-concessional debt.

The Cambodian government follows a market-oriented exchange rate policy. The National Bank of Cambodia (NBC) performs periodic foreign exchange auctions. Since the first auction in 1993, the spread between the official and free (parallel) market rates has been kept to no more than 2 percent. The exchange rate has been stable within the range of 3800 to 3900 Cambodian Riels per US\$ since 1998. The government will maintain a flexible exchange rate arrangement, with the spread limited to 1 percent, and will proceed gradually to achieving full unification of the exchange rate.

2.5. Infrastructure

Cambodia's infrastructure, which was almost completely destroyed after more than 20 years of warfare, civil strife and neglect, is slowly being restored. Power supply to the city of Phnom Penh has improved dramatically since 1993, and approximately 50 megawatts of power were added to serve the city during 1995 and 1996. Plans for Cambodia's first independent power production project, scheduled to provide another 60 megawatts of electrical power to the city, are nearing completion. According to the Cambodia Power Sector Strategy (1999-2016) developed by the Ministry of Industry, Mines, and Energy (MIME), annual electricity demand in Cambodia is projected to rise from 522GWh in 1998 to 2,634 GWh in 2016. To meet this demand, the government plans to develop \$1 billion worth of hydro, gas turbine thermal, and combined cycle base load thermal generating plants in Phnom Penh, Sihanoukville, Battambang, and other cities from 2000 to 2010. The Cambodian government also plans to build a nation-wide transmission system during the same period. How Cambodia will finance development in the energy sector remains an open question. ADB has provided \$18.6 million in loans for a rural electrification project and the World Bank is finalising the details of a \$82 million project to revamp the country's first power grid. Hydroelectric plant is under rehabilitation by a Chinese company, with an investment of \$26 million and the construction of Cambodia-Vietnam electricity distribution network is also under way. Of note, prices for power remain three to four times higher in rural areas than in Phnom Penh, even though Phnom Penh rates, at \$.21 a kilowatt hour, are high compared to other Asian cities.

The Cambodian government has not allocated significant budget resources to repairing the country's roads. The highway system is therefore being rehabilitated through bilateral foreign assistance projects and multilateral loans, as they become available. Completion of the USAID-funded Route 4-rehabilitation project in late 1996 improved links between Phnom Penh and the deepwater port of Sihanoukville. Japan has rebuilt portions of National Routes 6 and 7 between Phnom Penh and Kampong Cham; the Japanese funded construction of a \$57 million bridge over the Mekong River at Kampong Cham was completed in late 2001. This span is the first to connect the east and west banks of the river in Cambodia, and will make possible development of the country's north-eastern provinces. The Asian Development Bank (ADB) has provided a \$40 million loan to reconstruct Route 1 from the Neak Luang Ferry to the Vietnamese border by 2002. Other plans are in the works to rehabilitate portions of Routes 3, 5, 6 and 7 with loans from the ADB and World Bank. The Cambodian government also seeks investors to repair other portions of the national highway system under build-operate-transfer (BOT) terms. In an effort to improve physical infrastructure, Prime Minister Hun Sen has suggested that construction and repair of roads plan be included in the government's Public Investment Program. At the same time, privatization schemes to convert

public roads into tollways have begun to emerge, with a 35 year concession being awarded for operation and maintenance of Route 4. The Royal Railway of Cambodia is a state-run company. The rail system has two lines, one linking Phnom Penh with Sihanoukville via Takeo and Kampot, the other connecting Phnom Penh, Pursat, Battambang, and Sisophon. The narrow-gauge track, engines, and rolling stock are in poor condition; the government has sought aid to rebuild the system.

The river port of Phnom Penh has been upgraded, and Japan has provided assistance to improve the cargo terminal at the deepwater port of Sihanoukville. The upgrade will include a new, 1000-meter-long, 12-meter-deep pier designed for oil tankers of up to 30,000 tons. Negotiations between the Cambodian and Vietnamese governments to facilitate use of the Mekong River as a shipping route to Phnom Penh, as was the case pre-1960, are underway.

Reliable fixed line and mobile telephone services are available in Phnom Penh and most provincial cities, but are expensive compared to other countries in the region. Fixed line service is provided by the Ministry of Posts and Telecommunications (MPTC), while three cellular and one wireless local loop systems compete for mobile service. There are two international gateways: Tele2 International phone service (prefix 007), operated by Mobitel, and the state-run gateway (001), which was established and initially operated by Telstra of Australia and then transferred to the government. Long distance telephone rates have fallen, with calls to the U.S. now costing approximately \$1.80 per minute. Controversy has recently arisen over a recent decree that reduced fees received by mobile telephone companies for interconnect services.

MPTC controls Internet service in Cambodia. It initially licensed to two operators, its own subsidiary, Camnet, and Bigpond, an MPTC joint venture with Telstra. MPTC has also licensed MobiTel to provide wireless high speed internet service. As a result, the cost of Internet service has fallen to about \$1.50 per hour at Phnom Penh's nearly 50 Internet cafés; this still remains far above the means of most Cambodians. The potential for e-commerce in Cambodia is further constrained by the relative unreliability of the postal system and the fact that few Cambodians have credit cards. There are no standardised Khmer language computer fonts. This poses interoperability problems for Cambodian use of e-commerce.

2.6. Economic Prospects

Cambodia has resumed its economic expansion and is working with donors to develop the economic, legal, and government institutions to support an investment-friendly open market economy. This transformation should continue as long as political stability is maintained and the government remains willing and able to implement the reform program to which it has committed.

Chapter 3: Political Environment

The Kingdom of Cambodia is a constitutional monarchy with a market economy. Cambodia's constitution was adopted in 1993 and provides for a parliamentary system of government and for separation of powers between the executive, legislative and judicial branches. King Norodom Sihanouk is Cambodia's constitutional monarch. According to the Constitution, he reigns, but does not govern. Norodom Sihanouk also acted as Cambodia's Prime Minister for most of period between Cambodia's independence from France in 1953 to the republican coup of 1970. Sihanouk was also nominal head of state during the notorious Khmer Rouge regime, 1975-79.

The current system of government emerged from the Paris Peace Accords in 1991. In these, four warring factions agreed to put aside hostilities and allow the United Nations to set up a transitional authority in Cambodia (UNTAC) to administer the country until the nation could draft a new constitution and hold democratic elections. The elections took place in 1993, resulting in a coalition

government between the royalist FUNCINPEC Party of Prince Norodom Ranariddh, and the Cambodian People's Party (CPP) led by Hun Sen, which had ruled Cambodia since 1979.

The 1993 coalition government collapsed during factional fighting in July 1997, during which Second Prime Minister Hun Sen ousted First Prime Minister Norodom Ranariddh. Many FUNCINPEC and opposition party members fled the country, but returned to participate in national elections in July 1998. Four months after the election, CPP and FUNCINPEC formed the current coalition government. Hun Sen is Prime Minister. Prince Norodom Ranariddh is president of the National Assembly. Cambodia's 24 government ministries are split between the two parties, except for the Ministries of Defense and Interior, which have co-ministers from each party. The CPP has 64 seats in the National Assembly, FUNCINPEC 43 seats, and the opposition Sam Rainsy Party, led by the former Finance Minister of the same name, has 15 seats. In March 1999, Cambodia created a Senate with two members appointed by the King, and 59 others appointed by the various parties in proportion to their representation in the National Assembly. The Senate is led by President Chea Sim (CPP), who acts as head of state in the king's absence.

Cambodia is divided administratively into 20 provinces (Khaet) and four municipalities (Krong). Each province is divided into districts (Srok), and further into communes (Khum), of which there are 1621 nation-wide. Provincial and district leaders are appointed by the central government, and are currently split between the two coalition parties. Commune leaders have usually been the individuals appointed by the CPP in the 1980s. However, in a step towards democratization at the local level, elections for commune councils and leaders took place on February 3, 2002. The CPP retained control of the vast majority of communes, but more than 90 percent of all communes will have multi-party commune councils.

Since the UNTAC period, Cambodia has undertaken an aggressive economic and political reform program with the assistance of the International Financial Institutions and various multilateral and bilateral donors. Reforms slowed down during the period of instability beginning in mid-1997, but resumed in late 1998. Donors expressed their confidence in the government's commitment to reform at the World Bank-chaired donors' Coordinating Group meeting in Tokyo in February 1999 with pledges of about \$470 million in assistance, but intensified their monitoring of Cambodia's progress. Donors also instituted regular consultations with the Cambodian government on key reform areas including military demobilization, forestry reform, fiscal reform, administrative reform and other governance issues. Cambodia performed well on its reform program in 1999, and donors pledged a total of \$548 in assistance at a Coordinating Group meeting in May 2000 and a further \$611 in June 2001. However, progress in the realms of public procurement, judicial reform, and other aspects of governance reform has been slow, with donors expressing concern over the pace of reform.

The United States of America has full diplomatic relations with Cambodia and normal trade relations. Cambodia received MFN status from the U.S. under the terms of a 1996 agreement on Trade and Intellectual Property Rights, and received GSP benefits from the U.S. in 1997. Cambodia signed a ground-breaking textile agreement with the United States in 1999, which offers increased textile quota if the U.S. determines that Cambodia is in substantial compliance with internationally recognized core labor standards. This agreement was renewed in December 2001, and will continue in effect through the end of 2004. Cambodia has begun the process of accession to the WTO, and is a member of the ASEAN Free Trade Area.

The Cambodian government has adopted a free market, pro-investment economic policy. The state role in the economy is minimal and the government offers significant incentives to attract foreign investors. The government has recently begun regular consultations with the business community. However, significant gaps in the legal system, the weakness of key financial institutions such as the banking sector, and problems of non-transparency and corruption continue to deter investment. One notable exception has been the garment industry, which has attracted over 180 new factories since

1994 and now accounts for over 90 percent of Cambodia's exports. This industry was drawn to Cambodia by the availability of textile quota for the U.S. market, and Cambodia has not yet repeated this degree of success in any other industrial sector.

Chapter 4: Marketing U.S. Products and Services

4.1. Direct Marketing

Cambodians value quality and reasonably-priced U.S. consumer goods. A wide variety of U.S. products, often purchased through U.S. wholesale outlets and shipped for resale in Cambodia, are available in Cambodian markets. There is little direct marketing of U.S. products in Cambodia. E-commerce is extremely small, although two local banks have begun to issue credit cards in order to facilitate purchases made via the internet.

At nearly 12 million persons, the Cambodian market is small and annual per capita GDP of approximately \$257 is low. Informal estimates of annual per capita GDP in terms of purchasing power in the United States tend to be equivalent to around \$1,500.

Despite Cambodia's low population base, a key investment attraction is Cambodia's strategic regional location within the Mekong region. There is significant cross border trade between Cambodia and its neighbors, Thailand, Vietnam and Laos. Cambodia is a member of ASEAN, which has some 500 million consumers, and is a member of the ASEAN Free Trade Area, although it has not yet completed some implementing provisions.

4.2. Distribution and Sales Channels

There are three widely used distribution channels. Wholesalers import goods and then sell the goods to retailers. In some cases, the wholesalers provide delivery service, credit, and warranties to small shops or stands in the local markets. Some sellers reach consumers through their own retail shops or via vans travelling throughout the country. Finally, sellers who have no retail shops sell directly to customers by advertising in newspapers, and on radio and television.

4.3. Use of Agents and Distributors; Finding a Partner

Many Cambodian firms wish to become agents or distributors of U.S. companies, since U.S. goods and services are well received here. The U.S. Embassy in Phnom Penh can help companies identify agents, distributors and partners.

Cambodia has no Company Law, but draft legislation defines a general partnership as a contract between two or more partners for the purpose of undertaking certain commercial activities. A general partnership automatically exists any time two or more persons act together to pursue the same commercial interest. A sole proprietorship is defined as an enterprise wholly owned by a single natural person. It is possible to register a sole proprietorship at the Ministry of Commerce (which currently acts as a registrar of companies) but it is not possible to register a general partnership in the absence of a duly enacted companies law.

4.4. Franchising

Cambodia has no special laws regulating franchises.

4.5. Joint Ventures and Licensing

Joint ventures are common, but no special laws apply. Joint ventures with the government exist; the government contributes a majority share, generally in real estate, while the foreign joint venture partner, with a minority share, brings cash or equipment to the deal. The government percentage fluctuates widely.

4.6. Establishing an Office

The Council for the Development of Cambodia (CDC) approves applications for investment incentives pursuant to the Investment Law promulgated August 4, 1994. The Cambodian Investment Board (CIB), a division of the CDC, is responsible for accepting and reviewing applications for investment incentives.

Investors seeking incentives (see Chapter 7 of this guide) should file an application with the CIB. Included should be an application fee (which varies between \$100-\$500 at the time of application and \$200 - \$1000 at the time of approval, the amount depending on the value of the investment project), a feasibility study, and the annual report of the shareholder company. From the date of submission of the application, the CIB has 29 days to decide whether to approve incentive. Upon receipt of an agreement in principle from the CIB, the investor prepares registration forms for filing with the Ministry of Commerce. The Ministry of Commerce issues the formal business license. Twenty-five percent of the company's registered paid-up capital must be deposited in a company bank account 30 days from the date of the agreement in principle and such a deposit is required prior to the Ministry of Commerce issuing a business license.

Investors not seeking incentives or not establishing companies in promoted sectors fall outside of the jurisdiction of the CDC, and must register companies solely with the Ministry of Commerce. The promoted sectors included manufacturing, infrastructure development, hotels (international standard) and environmental protection activities. U.S.-trained attorneys who wish to establish offices in Cambodia are required by terms of the bar statute, passed in June 1995, to affiliate with an attorney licensed in Cambodia. The number of attorneys licensed in Cambodia is very small.

4.7. Selling Factors/Techniques

The adult literacy rate in Cambodia was 68.2 percent in 1999. Over 80 percent of the population lives in rural areas. Thus, broadcast advertising may prove advantageous.

4.8. Advertising and Trade Promotion Resources

Although newspaper advertising is most commonly used, radio and television are also effective means of reaching the Cambodian public. Khmer language newspapers are often linked to political parties, and press runs for the smaller publications are very limited. Published in the capital, the major dailies are distributed to the larger provincial cities. Ratings and market share of various broadcast outlets and programs are not routinely determined, since no local equivalent of Nielsen or Arbitron exists. Instead, stations commission occasional small surveys to determine audience size and programming preferences, and university students sometimes do similar studies as academic projects. Billboards are present on many streets in Phnom Penh and are used in provincial capitals as well. Leaflets and mobile loudspeakers were used effectively by all parties in recent elections; the latter technique has also been used by commercial companies. Following is a brief listing of major newspapers, business journals and radio and television stations:

a. Phnom Penh Post (English language) -- **8.9. Newspapers Contact:**

Address: 10A, Street 264, Phnom Penh

Mobile: (855) 15-912-480

Fax: (855) 23-426-568

Managing Director: Ms. Kathleen O'Keefe

Email: michael.pppost@bigpond.com.kh

b. Cambodia Daily (English language)

Address: 50B, Street 240, Phnom Penh

Phone: (855) 23-426-602/490

Fax: (855) 23-426-573

Editor-in-chief: Mr. Brian Mockenhaupt

Email: aafc@forum.org.kh

- c. Business News (English language)
Address: 12Eo, Street 82, Phnom Penh
Phone: (855) 23-722-332, 12-827-857
Fax: (855) 23-722-332
Managing editor: Mr. William Chan
Email: bizznews@camnet.com.kh
- d. Cambodge Soir (French language)
Address: 26, Street 302, Phnom Penh (P.O. Box 627)
Mobile: (855) 15-833-415 or 12-815-990
Phone: (855) 23-362-654
Fax: (855) 23-362-654
Editor: Mr. Pierre Gillette
Email: cambodgesoirpnh@bigpond.com.kh
- e. Reasmey Kampuchea (Khmer language)
Address: 476, Preah Monivong Blvd., Phnom Penh
Phone: (855) 23-362-881 or 23-362-472 or 12 992 222
Fax: (855) 23-362-472
Editor: Mr. Pen Pheng
Email: rasmei_kampuchea@yahoo.com
- f. Koh Santepheap Daily (Khmer language)
Address: 165E0, Street 169, Phnom Penh
Phone: (855) 23-983-025 or 11-820-800
Fax: (855) 23-983-035
Editor: Thong Upang
Email: koksantepheap@camnet.com.kh

4.10. Radio Stations:

- a. National Radio of Cambodia
Address: #106, Street Preah Kosamak , Phnom Penh
Mobile: (855) 18-810-184 or 16-819-517
Phone: (855) 23-723-369 or 23-368-140
Fax: (855) 23-427-319
General Director: Mr. Vann Seng Ly
- b. Radio Station FM 97 Mhz
Address: 69, Street 360, Phnom Penh
Mobile: (855) 17-810-063 or 18-811-979
Fax: (855) 23-427-459
Director General: Mr. Sok Eysan
- c. Radio Station FM 98 Mhz
Address: 165, Borey Keyla, Phnom Penh
Phone: (855) 23-366-061 or 062
Fax: (855) 23-366-063 or 064
General Director: H.E Neang Phat
- d. Radio Station FM 99 Mhz
Address: 41, Street 360, Phnom Penh, Cambodia
Mobile: (855) 12-813-699
Tel/fax: (855) 23-212-376 -- General Director: Mr. Kim Boeun

e. Phnom Penh Municipality Radio Station FM 103 Mhz
Address: 2, Russian Federation Blvd., Phnom Penh
Mobile: (855) 12-808-849 (Chan Sarak)
Tel/fax: (855) 23-360-800
General Director: Mr. Khampun Keomany

f. Radio Station FM 105 (Beehive Radio)
Address: 44G, Street 360, Phnom Penh
Mobile: (855) 15-916-502
Tel/fax: (855) 23-210-439
DirectorGeneral: Mam Sonnando

4.11. Television Stations:

a. National TV (TVK) of Cambodia
Address: Information Ministry Compound, 62 Monivong Blvd., Phnom Penh
Mobile: (855) 12-935-905 (Him Sourng)
Phone: (855) 23-724-149
Fax: (855) 23-426-407
General Director: Mr. Mao Ayuth

b. IBC TV Cambodia
Address: 165, Borey Keyla, Phnom Penh
Phone: (855) 23-366-061 or 062
Fax: (855) 23-366-063
General Director: H.E. Neang Phat

c. TV9 (Khmer Television 9)
Address: 18, Street 562, Phnom Penh
Mobile: (855) 12-858-142
Fax: (855) 23-368-212
General Director: Mr. Phan Tith

d. Apsara Television 11
Address: 69, Street 57, Corner Street 360, Phnom Penh
Mobile: (855) 12-949-414
Tel: (855) 23-303-001/303-002
Fax: (855) 23-214-302
General Director: Mr. Sok Eysan
Email: apsaratv@camnet.com.kh

e. Phnom Penh Municipality TV-3 Station
Address: 2, Russian Federation Blvd., Phnom Penh
Mobile: (855) 12-808-849 (Chan Sarak)
Tel/fax: (855) 23-360-800
General Director: Mr. Khampun Keomany
Website: www.tv3.com.kh

f. Bayon TV 27
Address: Ta Khau, Kandal
Mobile: (855) 15-850-714
Tel: (855) 23- 983-435
Fax: (855) 23-363-795 -- Director General: Thai Noraksathya

4.12. After-Sales Service and Customer Support

After-sales service and customer support are important to both current and future sales of products in Cambodia. The limited in-country supply of spare parts for some brands of automobiles has contributed to those makes' failure to increase market share against the manufacturer whose parts are most readily available. The arrival of company certified maintenance facilities for specific product lines, particularly for electronic equipment, indicates that the local market is beginning to evolve away from a "fix it shop" approach to repair.

4.13. Protecting Your Product From IPR Infringement

Cambodia has passed a trademark law and drafted, but not yet adopted, patent and copyright legislation. All appear to meet international standards. The Ministry of Commerce registers trademarks. The Ministry requires appropriate documentation for registration of a trademark. The Ministry of Industry, Mines, and Energy registers patents and trademarks for locally manufactured goods (thus duplicating the Ministry of Commerce in this regard). The Ministry of Culture and Fine Arts controls copyrights for printed material, music, motion pictures, and videos; the Ministry's approval is required for production and sale of movies and videos. Enforcement of existing legislation is still weak, although some action has been taken against attempts to import counterfeit goods.

4.14. Local Attorneys

U.S. attorneys affiliated with Cambodian attorneys as required by the bar statute can be contacted through the following entities (listed alphabetically):

- a. Allens Arthur Robinson Group
Contact Person: Ms. Lisa Button
Level 2. 11 bis, Street 278 Boeng Keng Kang,
Chamcar Mon, Phnom Penh
Tel: (855) 23-215-664
Fax: (855)23-215-637
- b. Dirksen Flipse Doran & Le
Contact Person: Mr. David D. Doran
Address: #45, Preah Suramarith Blvd., Phnom Penh
Mobile: (855) 12-815-274
Tel: (855) 23-360-545 or 23-428-726
Fax: (855) 23-428-227
Email: dfdl-pp@bigpond.com.kh
- c. Sarin & Associates
Contact Person: Mr. Sarin Denora
Address: #3, Street 334, Phnom Penh, Cambodia
Mobile: (855) 12 828 007/ 12 804 501
Fax & Phone: (855) 23-882-943
- d. PriceWaterhouseCoopers Ernst & Young
#124, Norodom Blvd.
Tel: (855-23) 218-086
Fax: (855-23) 428-076
Contact: Mr. Senaka Fernando and Mrs. Sally Relph

e. Tilleke And Gibbins And Associates, Ltd.
Contact Person: Mr. Bretton G. Sciaroni
Address: #56, Sothearos Blvd., Phnom Penh
Mobile: (855) 12-802-274
Tel: (855) 23-362-670
Fax: (855) 23-362-671

Chapter 5: Leading Sectors For U.S. Exports And Investment

With badly deteriorated infrastructure and little industrial base, the Cambodian economy relies heavily on imported goods and services. Imports, which exceeded

U.S.\$1.5 billion in 2000, constitute a large portion of consumer spending, since local manufacturing to serve the domestic market is minimal. While most imports come from low-cost, neighboring countries, and smuggling is significant, American companies enjoy a reputation for quality and reliability in Cambodia, which gives them a distinct advantage in the market place. Cambodian merchants and consumers proudly display U.S. brand names, and a surprising variety of U.S. products are available in Cambodian markets.

Cambodia is a very poor country with an underdeveloped private sector. There is significant market potential in a number of sectors, but low levels of domestic and foreign investment, as well as the unavailability of local credit have kept Cambodia from realizing this potential. Cambodia is still heavily dependent on foreign assistance to fund public investment; aid totals 16.4 percent of GDP. Cambodian households that can afford western-style goods number only in the tens of thousands. The most profitable U.S. companies currently operating in Cambodia are in the services sector. The areas listed below represent the U.S. Embassy's current assessment of best prospects for U.S. exports and investment in the near to medium term. These areas are not rank-ordered.

5.1. Architecture, Construction, and Engineering Services

After over 25 years of war, Cambodia is beginning to reconstruct its devastated infrastructure, principally with assistance from international donors. Given the extent of the collapse of infrastructure elements such as the road network, construction and engineering services will be in great demand for the foreseeable future. Public works and transportation are a high priority for the Cambodian government and donors alike. The Japanese government, World Bank, and Asian Development Bank are especially active in road construction in Cambodia. The government has also offered Build-Operate-Transfer (BOT) concessions to several companies to rehabilitate portions of Cambodia's badly degraded national highway system. Cambodia is also eager to upgrade its provincial airports. Because there is no money in the national budget to perform these activities, Cambodia has offered BOT concessions for the provincial airports as well.

The residential and commercial construction industry has grown rapidly in Cambodia. Imported equipment and materials amount to roughly U.S.\$50 million per year. This figure may be understated as a result of significant smuggling of construction materials. The main sources of construction materials are Thailand, Vietnam and China, but high quality American materials and fixtures, such as ceramic sanitary ware, enjoy a market with Cambodia's urban elite and foreign residents.

5.2. Household Goods and Appliances

Although few in number, Cambodia's urban elite are willing to pay for quality. Numerous American food and consumer products, from condiments to cleansers, are available in Phnom Penh's expanding number of supermarkets. U.S. appliances such as refrigerators and washing

machines are sold in Cambodian markets. They compare well with the poor quality goods now sold in Cambodia, but have not achieved a large market share. There is also potentially strong, but under-served, demand for domestic water purification equipment.

Because of Cambodia's tropical climate, there is significant demand for air conditioning equipment, and several U.S. brands are available in Cambodian markets. The most popular models are split units with remote control features. Very few buildings have central air conditioning, but there is a market for industrial scale equipment in Cambodia's garment and footwear industries. High electricity and fuel costs mean that energy efficiency is a strong selling point for any type of appliance in Cambodia.

5.3. Agribusiness and Food Processing

With a low population density and abundant arable land, conventional wisdom is that Cambodia's comparative advantage is in the agricultural sector. As of 2000, some 77 percent of Cambodia's population was engaged in agriculture. As a matter of policy, the Cambodian government encourages investment in agriculture, diversification of agricultural products, and investment in improved irrigation and water control, but the government lacks funds to promote such activities on a large scale. Most of the demand for such equipment as water pumps, well-drilling machines, tractors, tilling equipment, rice milling, drying, and packaging equipment, fertilizers, insecticides, and seed currently comes from NGOs and private agribusiness investors. There is significant potential to expand the production of high yield varieties of rice and other crops, and several investment projects in oil palm, tapioca, rubber, cotton, and cashew plantations are under way. The presence of an increasing number of plantations creates growing opportunities for the establishment of processing plants to add value to basic products for export and domestic consumption. Declining world commodity prices for some Cambodian products, such as rubber, have complicated efforts to obtain investments and have encouraged a search for alternative agricultural products.

5.4. Used Cars and Automotive Parts

Automobile ownership is rapidly increasing in Cambodia, almost entirely in urban areas. Of the nearly 80,000 passenger cars now on the road, the vast majority are imported second-hand vehicles. The most popular models are 4-wheel drive vehicles and mid-sized Japanese sedans; the latter are usually U.S.-made models. Right-hand drive vehicles from Thailand and Japan are becoming less popular due to government attempts to ban them. The value of cars imported is officially estimated at U.S.\$23 million for the first 11 months of 2001. However, the actual size of the automobile market is difficult to estimate due the routine occurrence of smuggling and theft from Thailand; the latter is reported as being as high as 6,000 cars and motorcycles valued at \$2.3 million annually. The U.S. appears to be the second largest supplier of used vehicles after South Korea, the source of a significant percentage of Cambodia's light and medium trucks. The most popular vehicle of American design in Cambodia is the Jeep Cherokee. A number of companies sell new cars in Phnom Penh. Ford has re-opened its local dealership, and the market also supports a Land Rover/Jaguar dealer as well as representatives of all major Japanese companies. Automobile parts and accessories from the United States are available in Cambodian markets, particularly for Toyota vehicles. Limited availability of parts for other companies' models has created a market logic in which customers often choose Toyotas because parts are available. This further reduces the incentive for companies to stock non-Toyota components. As with other products, U.S. auto parts have a reputation for quality and attract a higher price than parts produced in Thailand, Taiwan or other Asian countries.

5.5. Power Generation Equipment

Cambodia's public utilities are unreliable, expensive, and cover only the major cities. Power in provincial cities is priced even higher than the \$.21 per kilowatt hour in Phnom Penh. In rural areas, the only source of electricity is an automobile battery charged by an entrepreneur with a small portable generator. There is tremendous demand in Cambodia for diesel generators for use as back

up power, on-site industrial power plants, and power generation in rural areas not served by public utilities. Power generation capacity in Phnom Penh was 93 MW in 2000, and is projected to increase to 131 MW in 2002. Natural gas is not currently economical in Cambodia.

The Ministry of Industry, Mines and Energy has also prepared a detailed energy development plan involving the proposed construction of several thermal power plants. As with other types of infrastructure development, the government does not have funding for such facilities, but U.S. suppliers should check World Bank and ADB web sites regularly for potential new projects in the energy sector. The Cambodian government has stated that it is amenable to private ownership and private financing of power plants, however, one such facility currently under development has experienced difficulty in gaining government sanction. The Ministry's master plan projects investment potential in the power sector at U.S.\$150 million for 1999-2003, and up to another U.S. \$1 billion between 2004 and 2016.

5.6. Fast Food and Beverage Franchises

Fast food and beverage franchises are conspicuously absent from Cambodia. Despite Cambodia's poverty, there may be a sufficiently large urban middle class in Phnom Penh, at least, to support such businesses. The few local enterprises emulating U.S.-style fast food restaurants are popular and busy. The U.S. Embassy has received numerous inquiries from local businesses about joint-venture possibilities with well-known U.S. franchises. Both major American soft-drink companies have bottling plants in Phnom Penh. Cambodia's air and land links to Thailand and Vietnam make it easy for local restaurants to secure adequate supplies of fresh ingredients which meet western standards, and the government offers generous investment incentives in the agricultural sector which would potentially be available to any franchise interested in local production.

5.7. Drugs, Medical Supplies and Medical Equipment

The United States is the second largest supplier (after France) of drugs, medical supplies and medical equipment to Cambodia. The Ministry of Health is the single largest purchaser of drugs, medical supplies and medical equipment, but the proportion of health care provided by the private sector is increasing. Only companies licensed by the Ministry of Health may import drugs, medical supplies or medical equipment; a list of these importers is available from the Ministry or the U.S. Embassy. There is no prohibition on importing used medical equipment to Cambodia.

U.S. products only account for about U.S.\$ 2-3 million of Cambodia's U.S.\$40 million pharmaceutical market. Oral and injectable drugs account for 70 percent of pharmaceutical sales. In addition to the formal market, there is a large parallel market of smuggled pharmaceuticals, which frequently creates public health hazards.

5.8. Banking

In the future, there may be limited opportunities for U.S. commercial banks to operate in Cambodia, particularly in partnership with local banks. There is no U.S. presence in the industry now. Currently, banking activity in Cambodia is minimal (bank lending to the private sector is less than 8 percent of GDP), public confidence in local banks is extremely poor, and there are already too many banks servicing the market. High reserve requirements limit the availability of funds for disbursement as loans. However, efforts to reform the banking sector may present opportunities. With assistance from the IMF, Cambodia drafted and passed a new "Law on Banking and Financial Institutions" in late 1999. The National Bank of Cambodia is in the process of liquidating banks unable to meet the new law's requirements, and re-licensing those banks that are in compliance. A number of banks closed during 2001, and further adjustments are expected by mid-2002. Several foreign banks have decided that, for the time being, the environment is not sufficiently profitable. Some relatively strong domestic banks are likely to seek foreign partners who can bring capital and expertise to their operations. Most Cambodian banks engage principally in trade finance, but there will likely be an expansion of domestic lending as confidence in the banking sector increases. There is a market for money transfer services in Cambodia to meet the needs of foreign investors,

expatriates and Cambodian families receiving remittances from abroad; the Cambodian diaspora in the United States may provide a source of the latter form of business.

Chapter 6: Trade Regulations and Standards

6.1. Trade Barriers

The Cambodian government has eliminated most non-tariff barriers to trade. Import licenses are required for firearms and pharmaceuticals. Export licenses are required for antiquities, rubber, and timber. Garment exports require certificates of origin (CO) from the Ministry of Commerce.

6.2. Customs Duties

Customs duties have been simplified to a four band system, with rates ranging from 0 to 35 percent, as follows:

- _ Luxury goods, including automobiles, wine, cigarettes, perfume, weapons and cosmetics, carry a tariff of 35 percent. Note that automobiles are subject to an additional excise tax, based on engine displacement.
- _ Finished products, including televisions, radios, cassette players, paints and household furnishings carry a tariff of 35 percent.
- _ Machinery and equipment carry tariffs of 15 percent.
- _ Raw materials, such as cement, iron, tile and brick, and items considered essential to daily life, including meats, fruits, tea, vegetable oil, sugar, soap, shoes, eye glasses, clothing and bicycles, carry a tariff of 7 percent.

The following items are exempt from import duties: Agricultural equipment and inputs, school materials and equipment, pharmaceutical products and sporting goods, but importers of these products must still pay value-added tax (VAT) of 10 percent.

Customs Valuation: Cambodia signed an agreement on August 14, 2000 with the Societe Generale de Surveillance (SGS) to resume pre-shipment inspection starting from October, 2000 under a Comprehensive Import Supervision Scheme (CISS) program. Under the scheme, importers will have to pay an intervention fee for PSI service prior to application for bulk petroleum products. The charge schedule is:

- _ A fee of .8 percent ad valorem of the FOB value of the goods inspected as declared in the exporter's final or pro-forma invoice and indicated in the report of findings. This applies to all goods except for bulk petroleum products.
- _ A fee of 30 cents, US, per metric ton applicable for bulk petroleum products only, or as declared in the exporter's final or pro-forma invoice and indicated in the report of findings.
- _ A minimum fee of US\$210 per intervention will be applied if the ad-valorem rate or the tonnage rate would produce a lesser amount.

SGS has 1,170 offices in 140 countries. Any imported goods shipped in a container and which cost over US\$4,000 must undergo pre-shipment inspection. Only cigarettes are exempt from inspection.

6.3. Point of Contact:

SGS Cambodia liaison office

Address: #368, Street 163, Chamkarmon District, Phnom Penh

Contact person: Ms. Hou Rattanak Bopha, local representative

Tel: (855) 23-210-730~6

Fax: (855) 23-210-737

6.4. Import Licenses

Import licenses have been abolished, with the exception of those required for firearms and pharmaceuticals. Firearms licenses may be obtained from the Ministry of Interior and pharmaceutical licenses from the Ministry of Health.

6.5. Points of Contact:

_ Ministry of Interior

Address: #275, Preah Norodom Blvd., Phnom Penh, Cambodia

Tel: (855) 23-214-682

Fax: (855) 23-214-683

_ National Laboratory for Drug Quality Control, Ministry of Health

Address: #36, Jok Dimitrov, Phnom Penh

Contact Person: Mrs. Nam Nivanna, director

Tel/Fax: (855) 23-880-732 or Tel: 23-882-945

6.6. Export Controls

The government requires export licenses for logs, sawn timber, precious metals and stones, and antiquities.

6.7. Import/Export Documentation

Cambodian customs requires importers and exporters to provide a bill of lading, packing list and invoice for all shipments. Goods shipped through Vietnam via the Mekong River must also have a transit license.

6.8. Temporary Entry

Cambodia has not established temporary entry procedures.

6.9. Standards

Camcontrol, a unit of the Ministry of Commerce, is charged with standards-setting. Camcontrol does not currently have a mechanism for industry participation in this process. Cambodia passed a law on product quality in May 2000. The Ministry of Commerce requires foodstuffs to have a label including the following information: name of goods, producer name and address, source, quantity, batch number and production date, expiration date, ingredients, directions for use (if necessary) and the license provided by any authorizing institution (if required for local products). Camcontrol has confiscated shipments of items deemed not in compliance, and is involved in some programs to educate consumers about hazardous products.

6.10. Point of Contact:

_ Cambodia Import Export Inspection and Fraud Repression Direction (Camcontrol),

6.11. Ministry of Commerce

Address: #50, Street 144, Phnom Penh, Cambodia

Contact Person: Mr. Suth Dara, Director

Tel/Fax: (855) 23-426-166

Tel: (855) 12 845-610

6.11. Prohibited Imports

Narcotics, explosives, and poisonous chemicals and substances are prohibited imports.

Chapter 7: Investment Climate Statement

Cambodia is a developing country with a market economy. Since Cambodia re-established a constitutional monarchy in 1993, the economy has grown rapidly, except for a period between mid-1997 and late 1998, when Cambodia suffered political instability and spill over effects from the Asian financial crisis. The economy began to rebound in late 1998, with the establishment of the current coalition government. Real GDP growth during 2001 was estimated as 5.4 percent. However, foreign investment in most sectors has lagged, and Cambodia depends heavily on foreign assistance to meet its investment needs. Since early 1999, the Cambodian government has intensified its economic reform program, a process which the international financial institutions and donors participate in and monitor closely.

7.1. Openness to Foreign Investment

Cambodia's 1994 law on investment establishes an open and liberal foreign investment regime. The Council for the Development of Cambodia (CDC), Cambodia's foreign investment approval body, administers an attractive package of investment incentives, discussed in detail in below. All sectors of the economy are open to foreign investment. There are no performance requirements and no sectors in which foreign investors are denied national treatment. An August 1999 sub-decree created some restrictions on foreign investment: Publishing, printing, and broadcasting activities are limited to 49% foreign equity, and there must be an unspecified amount of local equity in gemstone exploitation, brick making, rice mills, wood and stone carving manufacture, and silk weaving. The government recently issued a sub-decree restricting on foreign ownership of hospitals and clinics and forbidding the employment of non-Cambodian doctors in any speciality in which the Ministry of Health considered there to be an adequate number of Cambodian practitioners. Although enforcement was held in abeyance following widespread expressions of concern by foreign residents, the directive remains under review. While other sectors are eligible for 100% foreign investment, investment incentives vary according to the nature of the investment project. As part of the program of fiscal reform, discussions and debate on amendments to the Law on Investment have been underway for nearly two years, with conflicting objectives - increased foreign investment and enhanced government revenue - complicating efforts to design legislation acceptable to all parties.

Article 44 of the constitution provides that only Khmer legal entities and citizens of Khmer nationality have the right to own land. Aside from this, there is little or no discrimination against foreign investors either at the time of initial investment or after investment. Some foreign businesses have reported, however, that they are at a disadvantage vis-a-vis Cambodian or other foreign rivals which engage in acts of corruption or tax evasion, or take advantage of Cambodia's poorly enforced or non-existent labor, work-place safety, product quality, and environmental standards to cut costs.

The privatization of state enterprises is not carried out in a transparent manner. In several instances, the public learned that enterprises were for sale only after the government announced a sale to a particular buyer.

Investor rights provided for in the Law on Investment include: Investors shall be treated in a non-discriminatory manner, except for land ownership as provided for in the constitution of the Kingdom of Cambodia.

The Royal Government of Cambodia shall not undertake a nationalization policy that adversely affects private properties of investors.

The Royal Government of Cambodia shall not impose price controls on the products or services of

an investor who has received prior approval from the Government.

The Royal Government of Cambodia, in accordance with relevant laws and regulations, shall permit investors to purchase foreign currencies through the banking system and to remit abroad those currencies as payments for imports, repayments on loans, payments of royalties and management fees, profit remittances and repatriation of capital.

7.2. Conversion and Transfer Policies

There are no restrictions on the conversion of capital for investors, as noted above. The Foreign Exchange Law does allow the National Bank of Cambodia (the central bank) to implement exchange controls in the event of a crisis; the law does not define what would constitute a crisis. The U.S. Embassy is not aware of any cases in which investors have encountered obstacles in converting local to foreign currency or sending capital out of the country.

7.3. Expropriation and Compensation

Article 44 of the Cambodian constitution, which restricts land ownership to Cambodian nationals, also states that "the (state's) right to confiscate properties from any person shall be exercised only in the public interest as provided for under the law and shall require fair and just compensation in advance." Article 58 states that "the control and use of state properties shall be determined by law." Under the existing land law, all land is considered state property. The Law on Investment provides that "the Royal Government of Cambodia shall not undertake a nationalization policy which adversely affects private properties of investors."

A recent Cambodian government Sub-Decree abrogated certificates for possession and use of land and rights to immovable property in the newly-created Koh Kong Industrial Zone. The document, which declares that the land is State property, makes no mention of compensation. There are currently no known investment disputes involving expropriation of property belonging to U.S. citizens. There are indications that the government is considering a program to compensate businesses for damages sustained from gunfire and looting troops during the 1997 factional fighting.

7.4. Dispute Settlement

Cambodia's legal system is a mosaic of pre-1975 statutes modelled on French law, communist-era legislation dating from 1979-1991, statutes put in place by the UN Transitional Authority in Cambodia (UNTAC) during the period 1991-93, and legislation passed by the Royal Government of Cambodia since 1993. The legal system contains many gaps in key areas such as bankruptcy, commercial arbitration, and intellectual property rights.

The Cambodian legal system has also traditionally favoured mediation over adversarial conflict and adjudication. Thus, compromise solutions are the norm, even in cases where the law clearly favours one party in a dispute. Although there are plans to create a commercial tribunal and an arbitration and mediation body, courts are currently the only judicial forum in which to settle commercial disputes. Certain government ministries will act as a mediator in some cases, but their legal authority is limited.

Cambodia's court system is weak. Judges, who have been trained either for a short period in Cambodia or under other systems of law, have little access to published Cambodian statutes. Judges are inexperienced and courts are understaffed. The local and foreign business community reports frequent problems with inconsistent judicial rulings as well as outright corruption. Cambodian judges are paid minimal salaries (approximately \$20 per month) which are not adequate to sustain a livelihood. Corruption is a far greater problem in Cambodian courts than government interference in judicial decisions.

Cambodia has no commercial arbitration code. However, in 2001, Cambodia passed a law implementing the New York Convention on the Recognition and Enforcement of Foreign

Arbitration Awards, which Cambodia signed in 1960. Regardless of the legal basis for implementing arbitration awards, foreign or domestic, the ability Cambodian courts to enforce decrees, even their own, remains limited.

7.5. Performance Requirements and Incentives

There are no performance requirements imposed on foreign investors in Cambodia. The current law on investment provides a generous set of investment incentives. Investment incentives are administered by the Council for the Development of Cambodia (CDC), which was created as a one-stop shop to facilitate foreign investment. However, this law is currently being reviewed and is subject to modification in order to enhance government revenue collection.

The law on investment and subsequent decrees create the following incentives:

A corporate tax rate of 9 percent, significantly lower than the standard corporate profit tax rate of 20 percent for business enterprises not receiving CDC investment incentives. Natural resources companies, including timber and oil companies and companies mining gold and precious stones, are subject to a 30 percent corporate profit tax rate.

An exemption from the corporate profit tax of up to eight years, depending on the type and location of project.

A 5-year loss carry-forward.

Tax-free distribution of dividends, profits and proceeds of investment.

Tax-free repatriation of profits.

100 percent exemption from import duties on construction materials, machinery and equipment, spare parts, raw materials, semi-finished products, and packaging materials for most projects for the construction period and first year of operation. The period of exemption from customs duties for the above items can be extended for export-oriented projects with a minimum of 80 percent of production set aside for export and projects located in a special development zone, although the Cambodian government has not yet passed a law allowing for the creation of economic zones.

Employment of expatriates where qualified Cambodians are unavailable. The list of sectors to which investment incentives apply, without regard to the amount of investment capital, includes: crop production, livestock production, fisheries, manufacture of transportation equipment, highway and street construction, exploitation of minerals, ore, coal, oil, and natural gas, production of consumption goods, hotel construction (three stars or higher), medical and education facilities meeting international standards, vocational training centers, physical infrastructure to support the tourism and cultural sectors, and production and exploitation activities to protect the environment.

Investment incentives are available for manufacturing projects in the following sectors when investment capital exceeds \$500,000: rubber and miscellaneous plastics, leather and other products, electrical and electronic equipment, and manufacturing and processing of food and related products. A minimum investment of \$1,000,000 applies when seeking incentives in the following sectors: apparel and other textiles, furniture and fixtures, chemicals and allied products, textile mills, paper and allied products, fabricated metal products, and production of machinery and industrial equipment.

The following sectors are not eligible for investment incentives, although investment is permitted: all types of trading activities, all forms of transportation services, duty-free shops, restaurants, karaoke and night clubs (now banned), business centers, press related activities and media networks, retail and wholesale operations, and professional services. According to Cambodia's 1995 law on The Establishment of the Bar, foreign business firms which wish to offer legal services in Cambodia must affiliate with a Cambodian attorney.

Investors who wish to take advantage of investment incentives must submit an application to the Cambodian Investment Board (CIB), the division of the CDC charged with reviewing investment applications. Investors not wishing to apply for investment incentives may establish their investment simply by registering corporate documents with the Ministry of Commerce. Once the investor's application is complete and an application fee paid, the CDC is required by executive order to issue a decision on an investor's application within 28 days, although this time limit has often been exceeded. In practice, investors report that licensing requires involves significant red tape and visits to multiple government agencies, despite CDC's designation as a one-stop shop.

Once the CDC approves the project in principle, the investor must pay a second application fee, deposit a performance guarantee of between 1.5 and 2 percent of the total investment capital at the National Bank of Cambodia, and register the corporate entity at the Ministry of Commerce. Once these steps have been taken, the investor will receive a formal investment license from the CDC requiring the investment to proceed within six months. Once the project is 30 percent complete, the investor is eligible for a refund of the performance guarantee.

Seeking to increase government revenue, the international financial institutions have recommended that the Cambodian government scale back its investment incentives. The World Bank has called for replacement of the 9 percent corporate tax rate for investors with the nation's standard 20 percent rate, elimination of tax-free reinvestment of profits, modification of tax holiday provisions and an end to the right to tax-free repatriation of earnings. The government and the investor community have begun consultations on the proposed changes, with the private sector voicing objections to many of the proposals. The government, under pressure from the IMF and World Bank and torn between increasing revenue and attracting future foreign investors, is moving towards a decision on the revisions.

Cambodia is not a member of the WTO, and not subject to TRIMS notification requirements, but will provide relevant information on its investment regime to the WTO as it pursues accession.

7.6. Right to Private Ownership and Establishment

There are no limits on the rights of foreign and domestic entities to establish and own business enterprises, or to compete with public enterprises. However, the constitution provides that only Khmer citizens or legal entities have the right to own land. As noted above, there are several investment sectors in which certain levels of local equity are required. Investment incentives vary depending on the nature of the investment project.

7.7. Protection of Property Rights

Chattel and real property: A revised Land Law, passed in 2001, provides a framework for real property security and a system for recording titles and ownership. In practice, the titling system is not fully functional in Cambodia, and the majority of property owners lack documentation proving ownership. Even where title records exist, recognition of legal title to land has been a problem in some court cases where judges have sought additional proof of ownership. Mortgages exist in Cambodia, but are rare, and judicial enforcement is uncertain. Although foreigners are constitutionally forbidden to own land, the new law allows them to lease land for up to 39 years. Foreigners may also convey buildings and improvements on the land that they lease. Title or ownership of land dating from before 1979 is not recognized.

Intellectual property rights (IPR): Cambodia is not a WTO member, and its rudimentary IPR regime falls far short of WTO standards. The 1996 U.S. - Cambodia Trade Agreement contained a broad range of IPR protections, but given Cambodia's very limited experience with IPR, the agreement granted phase-in periods for the Cambodian government to fully implement these provisions, including the enactment of new legislation. Cambodia is not yet in compliance with these terms of the trade agreement.

IPR protection is based on Articles 47 and 48 of the 1992 UNTAC Criminal Code and Ministry of Commerce Prakas No. 368, dated December 15, 1997, regarding Procedures of the Intellectual Property Department. Cambodia became a WIPO member in 1995, acceded to the Paris Convention in September 1998, and has indicated its intention to join the Bern and UPOV Conventions, and the Patent Cooperation Treaty. The Cambodian government is making progress on IPR legislation. The Cambodian government has passed trademark legislation and drafted copyright and patent laws with assistance from WIPO. The status of these laws follows:

7.8. Trademarks :

The Cambodian National Assembly passed a trademark law that complies with obligations under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Signed in February, 2002, the law outlines specific penalties for trademark violations, including jail sentences and fines for counterfeiting registered marks. It also contains detailed procedures for registering trademarks. In the area of border measures, the law also includes provisions allowing judicial review of the decision of customs authorities.

Before a trademark law was in force in Cambodia, owners of trademarks were unable to seek relief from infringement in court. The relatively few complaints received were directed to the Ministry of Commerce, which has responsibility for registering trademarks but does not have clear legal authority to conduct enforcement activities. Still, the Ministry took effective action against trademark infringement in several cases since 1998. The ministry has ordered local firms to stop using well-known U.S. marks, including Pizza Hut, Nike, Scotties, Marlboro, and Pringles. Since 1991, the Ministry of Commerce has maintained an effective trademark registration system, registering more than 10,000 trademarks (over 2,900 for U.S. companies) under the terms of a 1991 sub-decree, and has proven cooperative in preventing unauthorized individuals from registering U.S. trademarks in Cambodia.

Copyrights: Responsibility for copyrights is split between the Ministry of Culture, which handles phonograms, CDs, and other recordings, and the Ministry of Information, which deals with printed materials. The Ministry of Culture prepared a draft copyright law in 1998. The draft is now under review in Cambodia's council of jurists, a prerequisite step for consideration by the cabinet. This legislation is expected to be passed by the end of 2002. The Ministry has not sought comments on the law from the U.S. or private sector. With no copyright law or regulations in place, there thus has been no enforcement of the copyright provisions of the trade agreement. However, in 2001, Prime Minister Hun Sen signed a sub-decree setting fines for those who illegally copy VCDs. Although Cambodia is not a major center for the production and export of pirated CDs, videos, and other copyrighted materials, these products are widely available in Cambodian markets. Pirated computer programs, VCDs, and music CDs are widely used throughout the country. Imported pirated products are also available in Cambodian markets.

Patents and industrial designs: Cambodia has a very small industrial base, and infringement on patents and industrial designs is not yet commercially significant. With assistance from WIPO, the Ministry of Industry (MOI) prepared a draft of a comprehensive law on the protection of patents and industrial designs in April 1999. The government has not yet submitted the draft to the Council of Ministers or National Assembly. The MOI has also prepared a draft sub-decree on granting patents and registering industrial designs which it intends to issue after the passage of the patent and industrial design law.

Encrypted satellite signals, semiconductor layout designs, and trade secrets: Cambodia has not yet made significant progress toward enacting required legislation in these areas, although it obtained a model law on encrypted satellite signals and semiconductor layout designs from WIPO in March 1999.

IPR enforcement: With the exception of the trademark enforcement actions described above, the Cambodian government has taken few significant actions to enforce the IPR obligations contained in the U.S. - Cambodia Trade Agreement. In mid-2001, Phnom Penh police did arrest one individual for producing and selling pirated Cambodian karaoke videos. Recently, police raided a Phnom Penh firm making unauthorized copies of VCDs; the pirate was subsequently sentenced to pay damages of \$700,000 to the firm whose products were copied. However, the raid was specifically directed at illegal copies of locally produced VCDs and CDs and made at the request of the manufacturer. The police reportedly found, and ignored, pirated foreign VCDs. More recently, the Ministry of Culture has instituted a program to mark counterfeit VCDs, and claims that they will be taken off the market in mid-2002. Once comprehensive IPR legislation is enacted, enforcing Cambodia's IPR obligations under the U.S. - Cambodia Trade Agreement will be a major challenge for the government and courts system.

7.9. Transparency of the Regulatory System

There is no pattern of discrimination against foreign investors in Cambodia through the regulatory regime. Numerous issues of transparency in the regulatory regime arise, however, from the lack of legislation and the weakness of key institutions. Investors often complain that decisions of Cambodian regulatory agencies are inconsistent, irrational, or corrupt.

The Cambodian government is still in the process of drafting laws and regulations that establish a framework for the market economy. Commercial laws will be based on the Anglo-Saxon model, so as to assure Cambodia's conformity with the laws of other ASEAN countries.

Cambodia currently has no anti-monopoly or anti-trust statutes. The tax system is under revision, but currently includes a profit tax (0-20%), a withholding tax (usually 15%), a salary or personal income tax (5-20%), a value added tax (10%), and specific excise taxes on certain merchandise (rates vary). There is a minimum turnover tax (1%); some foreign inputs are exempt from this levy, but have to pay a 1% advanced profits tax instead. There are also import and export duties (rates vary).

The Cambodian Constitution, and the 1997 Labor Code provide for compliance with internationally recognized core labor standards, and allows the Ministry of Social Affairs, Labor, Vocational Training and Youth Rehabilitation to set health, safety and other conditions for the workplace. There are numerous gaps in the body of regulation necessary to bring the Labor Code into practice, however. (Section D of this report discusses the labor situation in more detail.)

The National Assembly passed a law and associated decree regulating pharmaceuticals in June 1996, giving administrative authority to the Ministry of Health. In May 2000, the National Assembly passed a law on quality of goods and services, comprising food safety, consumer protection and product liability. Food and product safety issues fall under the jurisdiction of the Cambodian standards authority, Camcontrol, which is under the Ministry of Commerce.

Camcontrol, the government's standards-setting arm, does not currently have a mechanism for industry participation in standards setting. There are currently no industry standards-setting organizations operating in Cambodia.

Cambodia's banks and financial institutions fall under the supervision of the National Bank of Cambodia (NBC), which is improving its capacity to perform this role with assistance from the IMF. In November 1999, Cambodia passed a new law on banking and financial institutions. This law, and subsequent regulations issued by NBC supercede earlier legislation and regulations. In July 2000, Cambodia enacted an insurance law that gives the Ministry of Economy and Finance regulatory authority over the insurance industry.

7.10. Capital Markets and Portfolio Investment

Cambodia currently has no capital markets. There is no stock or bond market, no companies law, and no means by which to purchase equity in a company except by agreement with the existing owners. Most companies are privately held, the exception being multinational firms.

The Cambodian government does not use regulation of capital markets to restrict foreign investment. Domestic financing is difficult to obtain at competitive interest rates for domestic and foreign-owned entities alike. There is currently no law addressing secured transactions or system for registering such secured interests. Most loans are secured by real property mortgages or deposits of cash or other liquid assets, as provided for in the existing contract law and land law.

Export/import financing is available from multinational banks through a variety of credit instruments. The U.S. Overseas Private Investment Corporation (OPIC), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) offer both investment guarantees and loans in Cambodia. Eximbank does not operate in Cambodia.

Total assets of Cambodia's banking system at the end of 2001 were approximately 2,132 billion Riel (\$554 million). Loans account for only about one third of the banking system's assets, and it is impossible to estimate the percentage of loans which are non-performing. Currently, some entities called banks appear not to engage in significant amounts of banking activity. Under the new Law on Banking and Financial Institutions, all of Cambodia's commercial banks had to reapply for licenses from the NBC, and meet new, stricter capital and prudential requirements. As a result, there was a significant amount of shakeout and consolidation within the banking sector. All banks were required to meet new capitalization requirements by the end of 2001, but the NBC has not yet announced how many institutions have successfully met the new requirements..

7.11. Political Violence

Major political violence occurred in July 1997, with fighting between forces loyal to then-First Prime Minister Prince Norodom Ranariddh and then-Second Prime Minister Hun Sen. Political stability improved dramatically following the formation of the current coalition government in late 1998. This has brought an upturn in commercial activity, investor interest and tourist arrivals. Subsequent political violence has been limited to an attack on public buildings by a self-proclaimed group of freedom fighters in November, 2000, and to several possibly political killings of candidates and party activists in advance of the commune elections of February 2002.

Until the end of 1998, there was a diminishing but real threat of sporadic violence from remnant Khmer Rouge units in western parts of the country. There were large-scale defections of the Khmer Rouge in late 1998, and the Cambodian government arrested Ta Mok, the last remaining Khmer Rouge leader who had not defected, in early 1999.

There are no nascent insurrections in Cambodia. There have been no incidents involving politically motivated attacks against investment projects. Cambodia's relations with all of its neighbors are peaceful, although there are some concerns over border demarcation.

7.12. Corruption

Local and foreign business people have identified corruption, particularly within the judiciary, as the single biggest deterrent to investment in Cambodia. Public sector salaries range from \$15-30 per month for working level officials, and less than \$300 per month for high ranking officials. These wages are far below the level required to survive in Cambodia, and as a result, public employees are susceptible to corruption and conflicts of interest. Corrupt practices are widespread in Cambodia, and public officials make no effort to disguise their wealth.

Cambodian laws and regulations and their application are not sufficient to address the problem of corruption. Laws dating from the UNTAC period (1991-93) against embezzlement, extortion, and

bribing public officials exist, but have never been enforced. After a draft national anti-corruption law failed to win National Assembly approval in 1999, the Cambodian government undertook to revise the draft with cooperation from local and international NGOs, the World Bank, and bilateral donors. The draft applies only to acts of corruption within Cambodia, and includes provisions to establish an anti-corruption commission, declaration of assets and criminal penalties for payment or acceptance of bribes to or by public officials. Cambodia is not a signatory to the OECD Anti-Bribery Convention or any regional anti-corruption initiative. Cambodia is under increasing pressure from donors to address the issue of good governance in general, and corruption in particular.

In a draft action plan on good governance which the government presented to donors in May 2000, Cambodia indicated its intent to pass anti-corruption legislation by late 2001. However, as of early 2002, no progress has been made. The Ministry of Parliamentary Relations and Inspections has an anti-corruption mandate, but is almost entirely inactive. The government also created an anti-corruption commission within the cabinet in late 1999, which has undertaken a few investigations, one of which resulted in the dismissal of a mid-level official in late 2001. Also in 2001, the government established a National Audit Authority, but serious questions remain about the independence of this organization.

7.13. Bilateral Investment and Agreements

Cambodia has signed investment agreements with Malaysia, Thailand, France, Switzerland, South Korea, Germany, Singapore, the People's Republic of China, the Netherlands, the Philippines, and Cuba. The agreements provide reciprocal national treatment to investors, excluding benefits deriving from membership in future customs unions or free trade areas and agreements relating to taxation. The agreements preclude expropriations except those which are undertaken for a lawful or public purpose, non-discriminatory, accompanied by prompt, adequate and effective compensation at the fair market value of the property prior to expropriation. They also guarantee repatriation of investments and provide for settlement of investment disputes via arbitration.

7.14. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) currently offers financing and political risk insurance for projects in Cambodia, although no U.S. investor has yet taken advantage of it. With most investment contracts written in U.S. dollars, there is little exchange risk. Even for riel-denominated transactions, there is only one exchange rate, which is fairly stable.

7.15 Point of contact:

Overseas Private Investment Corporation; contact person: Mr. Bruce Cameron, Business development officer; address: 1100 New York Avenue NW, Washington, DC 20527, USA; phone: 202-336-8745; fax: 202-408-5145; email: bcame@opic.gov.

Cambodia is a member of the Multilateral Investment Guarantee Agency.

Multilateral Investment Guarantee Agency (MIGA), 1818 H St. NW, Washington, DC 20433, USA, Tel: (001) 202-477-1234; fax: (001) 202-522-2630.

7.16. Labor

Cambodia has a labor force of approximately 6 million people, nearly 75 percent of whom are engaged in subsistence agriculture. Approximately 188,000 persons are employed in the fast-growing garment sector. The labor force grows at a rate of 3.4 percent annually; over 150,000 people enter the labor market every year. Labor market conditions in Cambodia have worsened; the reported unemployment rate more than tripled from 1.9 percent in 1994 to 7.1 per cent in 2000. There are no reliable statistics on underemployment, but it is clearly a serious problem throughout the country. Although overall literacy is 68 percent, the adult literacy rate is about 35 percent; the adult rate is lower for women than men. Many adults and children enroll in supplementary

educational programs, including English and computer training. Employers report that Cambodian workers are eager to learn and, when trained, are excellent, hardworking employees.

Given the severe disruption to the Cambodian education system and loss of skilled Cambodians to death and emigration during the 1975-79 Khmer Rouge period, and the period that followed, workers with higher education or specialised skills are few and in high demand. Many investors must bring in expatriate employees to fill skilled positions, and Cambodian immigration and investment regulations make this relatively simple.

Cambodia's 1997 labor code protects the right of association, the right to organize, and bargain collectively. The code prohibits forced or compulsory labor, establishes 15 as the minimum allowable age for a salary position, and 18 as the minimum age for anyone engaged in work which may be hazardous, unhealthy or unsafe. The statute also guarantees an 8-hour workday and 48-hour work week, provides for time-and-a-half overtime pay, with double overtime for night work or work on the employee's day off. The law gives the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation (MOSALVY) a legal mandate to set minimum wages after consultation with the tripartite Labor Advisory Committee. MOSALVY set the minimum wage for the garment and footwear industries at \$45 a month in August, 2000. There is no minimum wage for any other industry.

Cambodia does not currently have legislation governing worker health and safety, but there are various detailed ministerial regulations regarding payments in the event of on-the-job accidents. In labor disputes in which workers complain of poor or unhealthy conditions, MOSALVY and the Ministry of Commerce have ordered the employer to take corrective measures.

Enforcement of many aspects of the labor code is poor, and the majority of labor disputes involve workers simply demanding conditions to which they are legally entitled. The U.S. Government, the ILO, and others are working closely with Cambodia to improve enforcement of the labor code, and workers' rights in general. The U.S.- Cambodia Bilateral Textile Agreement links Cambodian compliance with internationally recognized core labor standards with the level of textile quota the U.S. grants to Cambodia.

7.17. Foreign Trade Zones and Free Ports

The Cambodian government plans to establish two foreign trade zones on the Thai border; one is to be located at Koh Kong in the south, the other at Poipet in the northwest. A previous effort to establish a trade zone at the Port of Sihanoukville was not successful because the site's inadequate infrastructure and high energy costs discouraged potential investors. Plans for Koh Kong are most advanced. A sub-decree establishing its boundaries and declaring the property state land has been issued. The Koh Kong industrial development site is to be served by Thai utilities and infrastructure; products are to be exported through a Thai port. Roads and bridges to link the zone to the Cambodian highway system are now under construction. The law on investment provides for incentives to encourage investments in "special promotion zones." However, the legislation defining special promotion zones and establishing the rules under which they will operate is still in draft form.

7.18. Foreign Investment Statistics

Total foreign direct investment (FDI) flows into Cambodia for the years 1995-2000 are presented in the table below. The Ministry of Economy and Finance (MEF) does not break down this data by country of origin or by economic sector. Total annual FDI flows into Cambodia, in US\$ millions. (source: MEF)

| 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|------|------|------|------|------|------|
| 151 | 240 | 150 | 120 | 129 | 136 |

Figures from the CDC for registered capital of approved projects as of June 21, 2001, including domestic investment, and broken down by country of origin and economic sector, are provided below. These figures probably overstate actual investment, since figures are included for some projects that have not yet been, or may never be, fully implemented; retention of dormant or defunct projects from earlier years makes the investment figures higher. The CDC is in the process of cancelling investments that have never been implemented. In June 2000, CDC cancelled 51 investment projects dating back to 1994, totalling \$219 million, and announced its intention to cancel another 68 projects worth \$299 million. Cambodia does not report on actual investment. The tables below reflect some cancellations.

Total cumulative registered investment projects, by country of origin, August 1994 to June 21, 2001. (Source: CDC)

| Country | US\$ millions | pct. |
|-----------|---------------|------|
| Malaysia | 1,503 | 41.8 |
| Cambodia | 826 | 22.4 |
| Taiwan | 310 | 8.4 |
| P.R.China | 176 | 4.7 |
| Singapore | 156 | 4.2 |
| Thailand | 131 | 3.5 |
| U.K. | 120 | 3.2 |
| Hong Kong | 112 | 3 |
| R.O.Korea | 90 | 2.4 |
| Canada | 52 | 1.4 |
| Indonesia | 48 | 1.3 |
| Australia | 41 | 1.1 |
| USA | 38 | 1 |
| France | 34 | .9 |
| Japan | 8 | .2 |
| Other | 30 | .8 |
| Total | 3,675 | 100% |

Total cumulative registered investment capital by sector, from August 1994 to June 21, 2001 (source: CDC).

| Sector | US\$ millions | No. of Projects |
|-----------------|---------------|-----------------|
| Industry | 1,489 | 642 |
| Food Processing | 127 | 44 |

| | | |
|--------------------|-------|-----|
| Garments | 363 | 337 |
| Petroleum | 63 | 13 |
| Wood Processing | 250 | 35 |
| Footwear | 37 | 23 |
| Agriculture | 172 | 80 |
| Services | 299 | 74 |
| Construction | 121 | 12 |
| Telecommunications | 94 | 11 |
| Tourism | 1,714 | 58 |
| Total | 3,676 | 854 |

New investment projects in US\$ millions, by country of origin, 1995-01 (source: CDC). (Q1/Q2)

| Country | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------|-------|-------|-------|-------|------|-------|------|
| Malaysia | 1,351 | 55 | 52.9 | 22.6 | 17 | 1.6 | 1 |
| Cambodia | 341 | 131 | 72.6 | 103.4 | 97.6 | 28 | 9.4 |
| USA | 5.5 | 6.4 | 13.8 | 2.3 | 4.4 | 3.7 | 1 |
| Taiwan | 11.9 | 124.8 | 47.6 | 78.9 | 29.4 | 16 | 1.6 |
| Singapore | 41.3 | 32 | 12.5 | 12.3 | 2.3 | 3.1 | |
| P.R.China | 4.5 | 23 | 21.8 | 74.8 | 36.4 | 3.9 | 2.7 |
| R.O.Korea | .7 | 4.9 | 69.5 | 3.8 | 0 | 9.9 | |
| Hong Kong | 5.4 | 10 | 17.8 | 47.9 | 22.4 | 4 | 1 |
| France | 18.8 | 9.9 | 1.1 | .6 | .6 | 2.9 | |
| Thailand | 22 | 10 | 7.4 | 53 | 15.9 | 17 | 3.1 |
| U.K. | 44.9 | 50 | 7.1 | .4 | 1.5 | 6.5 | .5 |
| Canada | 39.2 | 7.6 | 1.8 | 2.1 | .2 | 1 | |
| Indonesia | 1.6 | 2.5 | 2.2 | 3.1 | .4 | 3 | |
| Australia | 1.3 | 4.2 | 32.9 | 1.4 | .02 | .8 | |
| Japan | .8 | 3 | .3 | 2 | 2 | .2 | |
| Other | 4.1 | 9.1 | 7.3 | 8.3 | 2.8 | 1.3 | |
| Total | 1,894 | 483.4 | 368.6 | 417.2 | 233 | 102.9 | 21.3 |

New investment projects in US\$ millions, by sector, 1995 - 01 (source: CDC).

| | | | | | | | (Q/1) |
|-----------------|-------|-------|-------|-------|-------|------|-------|
| Sector | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
| Industry | 285 | 316 | 275 | 297.7 | 101.3 | 49 | 3.9 |
| Food Processing | 44 | 5 | 6.6 | 8 | 2.4 | | |
| Garments | 16 | 40 | 100 | 91.6 | 49.5 | 28.4 | 1 |
| Petroleum | 24 | 31 | 4.7 | 1 | 1 | | |
| Wood Processing | 8 | 137 | 13 | 91.5 | | | |
| Agriculture | 13 | 56 | 15 | 44 | 31.3 | 8.5 | |
| Services | 111 | 53 | 57 | 8.7 | 55 | 10 | |
| Construction | 80 | 22 | 1 | 1.2 | 16.4 | | |
| Telecom | 4 | 13 | 55 | 0 | 22 | | |
| Tourism | 1,485 | 59 | 21 | 67 | 45.5 | 36.5 | 1.2 |
| Total | 1,894 | 483.4 | 368.6 | 417.2 | 233 | 104 | 5.1 |

The CDC has registered approximately \$38 million in U.S. investment since August 1994. Among the largest investors are Beacon Hill Associates with a proposed 60 megawatt independent power production project, Caltex with a chain of service stations and a petroleum holding facility in Sihanoukville, Northbridge associates with an international school, and Shelby corporation with a glove manufacturing facility. There are U.S. investors in several of Cambodia's garment factories, and U.S. firms have also sought concessions for oil and gas exploration in the Gulf of Thailand.

Major non-U.S. foreign investors include Asia Pacific Breweries (Singapore), Raffles International (Singapore), Thakral Cambodia Industries (Singapore), Petronas Cambodia (Malaysia), Chamroeun Pokphand (Thailand), and YTL (Malaysia.) Statistics on Cambodian investment overseas are not available.

Chapter 8: Trade and Project Financing

8.1. The Banking System:

Cambodia's banking sector is composed of the nation's central bank, the state-owned Foreign Trade Bank, 11 private banks, four foreign bank branches - one of which is considering scaling back operations - and three specialised banks. Despite the large numbers of banks in operation, only half appear to be engaged in financial inter-mediation; credit for trade, construction, or other purposes is limited. As of November, 2001, commercial bank loans totalled U.S.\$254 million. Of this total, 26 percent were for services and personal consumption, 25 percent for manufacturing, and 22 percent for wholesale and retail activities. Only 3.6 percent of commercial bank loans were for agricultural purposes.

Commercial bank regulation is weak, but improving. The Cambodian government has strengthened its system of bank supervision by creating a banking supervision division within the central bank, the National Bank of Cambodia (NBC), and by passing financial institutions regulatory laws. A strong money laundering provision is contained in the counter-narcotics law passed by the National Assembly in December 1996.

The Financial Institutions Law adopted in November 1999 has strengthened the NBC's supervisory authority, enabling it to relicense all existing banks. As a first step, the NBC evaluated bank viability and classified them into three categories: those relicensed unconditionally (four branches of foreign banks), relicensed with corrective measures (14 banks), and nonviable banks (eight banks). Three insolvent banks were closed in July 2000. In December 2000, the NBC publicly announced that at least eight nonviable banks would be liquidated and that the three banks closed in July were in the process of liquidating.

The remaining banks that require corrective actions were subsequently required to submit Memoranda of Understanding (MOU) detailing the timeframe for capital injection and corrective measures to bring them into compliance. The NBC will supervise and monitor their performance in accordance with the MOUs. If banks fail to meet their commitments, the NBC will take additional action, including suspension or withdrawal of banking licenses. A review of the status of these efforts occurred at the end of 2001, but the results have not yet been announced. It is, however, expected that several banks will fail to meet the new capitalization requirements, and will therefore be liquidated. The IMF indicates that progress is being made toward bank reform.

The Foreign Trade Bank (FTB), presently government owned, has also undergone restructuring. It has been separated from the NBC to operate as an independent entity and is being developed as a market-oriented commercial bank. In December 2000, the NBC issued a banking license to the FTB. However, in the transition period, the NBC still owns the FTB. Although the total capital of the FTB satisfies the initial minimum capital requirement capital of 10 billion Cambodian Riels, it needs CR 50 billion (\$13 million) for full recapitalization as a private institution. Efforts are underway to float a bond issue to raise these funds by March 2002.

The definition and role of specialized banks is not clearly established under current legislation. Pending clarification and review of associated regulations, as requested by the IMF, the National Bank of Cambodia will not issue further licenses for specialized banks. This process is not expected to be complete before the end of June, 2002.

8.2. Financing Availability

Trade financing is available through most foreign bank branches, although bank credit to a single client is limited by statute to 20 percent of net worth. Persons choosing a bank are urged to consult any of the standard rating services. Letters of credit may be available through those banks with correspondent banking relationships with banks in the United States. There may be some difficulty obtaining confirmation of letters of credit issued by some Cambodian banks. Eximbank financing is not currently available.

The following banks operate in Cambodia: (Correspondent banking relationships with US banks in brackets)

| | | |
|-------------------------------------|-----------------------|---------------------|
| State-Owned Banks: | | |
| Foreign Trade Bank | Tel: (855) 23-724-466 | Fax: 23-426-108 |
| (BNT, NY; Union International | 23-723-866 | Telex: 36145, 36163 |
| Bank of California, Chase Manhattan | 23-722-466 | |

| | | |
|--|-------------------------------------|----------------------------|
| Bank, Standard Chartered Bank, NY) | | |
| Foreign Bank Branches: | | |
| Credit Agricole Indosuez | Tel: (855) 23-724-772 | Fax: 23-427-233 |
| First Commercial Bank | Tel: (855) 23-210-027 | Fax: 210-029 |
| Krung Thai Bank Public Co., Ltd | Tel: (855) 23-366-005 | Fax: 366-005 |
| Maybank Phnom Penh Branch | Tel: (855) 23-210-123 | Fax: 23-210-099 |
| Private Banks: | | |
| Cambodia Mekong Bank | Tel: (855) 23-217-114 | Fax: 217-122 |
| (ABN-AMRO Bank, NY) | 23-217-115 | |
| Cambodia Asia Bank | Tel: (855) 23-722-105 | Fax: 426-628 |
| Cambodian Commercial Bank | Tel: (855) 23-426-145 | Fax: 23-426-116 |
| (City Bank, AMEX Bank) | 23-426-639 | Telex: (0807) 36130 |
| Cambodian Public Bank | Tel: (855) 23-723-664 | Fax: 23-426-068 |
| Canadia Bank | Tel: (855) 23-215-286 23-215-284 | Fax: 23-427-064 |
| (Bank of America, Bank of China, NY, HSBC NY, Standard Chartered Bank, Union Bank of California) | | |
| Emperor International Bank | Tel: (855) 23-426-254 23-426-714 | Fax: 428-585 |
| Singapore Banking Corp. | Tel: (855) 23-217-77 | Fax: (855) 23-1212- 121 |
| (Standard Chartered Bank) | Tel: 23-217-772 | |
| Singapore Commercial Bank | Tel: (855) 23-427-471 | Fax: 427-471 |
| Union Commercial Bank | Tel: (855) 23-427-995 | Fax: 427-997 |
| Advanced Bank of Asia Ltd. | Tel: (855) 23-720-434 | Fax: 720-435 |
| (Standard Chartered Bank, NY) | | |
| Cambodian Agriculture, Industry and Merchant Bank | Tel: (855) 23-725-823 23-725-827 | Fax: 217-751 |
| Specialised Banks: | | |
| Rural Development Bank | Tel: (855) 23-982-434 23-982-408 | |

| | | |
|----------------------------|-------------------------------------|--------------|
| ACLEDA Bank Limited | Tel: (855) 23-210-812 23-364-619 | Fax: 364-614 |
| Peng Heng S.M.I. Bank Ltd. | Tel: (855) 23-219-243 | Fax: 219-185 |

8.3. Multilateral Development Banks

Cambodia became a member of the World Bank on July 22, 1970. However, it did not borrow from the Bank until 1993. The World Bank has a representative office in Phnom Penh and has provided US\$430 million in loans since 1994 in a variety of sectors, with energy, road rehabilitation, disease control and health, and social fund projects constituting the largest shares. The Asian Development Bank (ADB) approved \$410 million in low interest loans as of October 31, 2000, also in a variety of sectors, but with emphasis on infrastructure rehabilitation in the energy and power sectors as well as social and economic infrastructure. The U.S. Government maintains a commercial liaison office at ADB headquarter in Manila, which reports directly to the Office of Multilateral Development Banks at the Commerce Department in Washington, assists U.S. suppliers and consultants in winning contracts on projects and activities funded by the Bank. Interested U.S. companies should contact Mr. Stewart Ballard, U.S. liaison to the ADB, tel: (001) 632 887-1345, fax: (001) 632 887-1164, email: stewart.ballard@mail.doc.gov.

Chapter 9: Business Travel

9.1. Business Customs:

Although not absolutely required, small gifts with a company logo are appreciated, as are luncheon or dinner invitations.

Business hours for commercial offices are usually from 0730 to 1200 in the morning and from 1330 to 1700 in the afternoon. Government offices are generally open from 0730 to 1130 and from 1400 to 1730.

9.2. Travel Advisory and Visas:

Travel within cities and provincial towns is generally safe, but business travellers should consult the with U.S. Department of State prior to arrival in Cambodia for a current travel advisory (this information is available on the web at <http://travel.state.gov>). Once in Cambodia, business travellers should remain alert and take normal personal security precautions. A taxi from Pochentong airport to virtually any location in Phnom Penh will cost \$7. If contracting with an independent taxi service, visitors should agree on the price with the driver before embarking. In Phnom Penh, travel after nightfall on foot or motorbikes is not recommended.

Travellers to remote areas of the country should consult the U.S. Embassy's current consular information sheet. Domestic air service links Phnom Penh with Siem Reap, Battambang, Stung Treng, Rattanakiri, and Koh Kong. Private cars are available for rental in most cities upon arrival. The safety of road travel outside urban areas varies; potential risk can be reduced by travelling only during daylight hours. Except for the routes connecting Phnom Penh to Sihanoukville and to Kompong Cham, highway conditions are poor. During the rainy season, some locations cannot be reached by road. Persons planning a lengthy visit to Cambodia should register with the U.S. Embassy Consular Section upon arrival in Cambodia.

Visitor visas valid for one month are issued at Pochentong International Airport. The fee is \$20 for tourists and \$25 for business visas. Travellers should bring with them two passport-sized photos for the visa application, although visas will be issued without them for an additional fee of \$2. For

individuals who need to stay longer than the standard one month, a three-month visa will be granted upon application to the Ministry of Interior; the fee for this visa is \$60. Individuals with a business license issued by the Council for the Development of Cambodia (CDC) may apply for a business visa valid for a year. The fee is \$180. The Ministry of Interior has a team at the CDC to assist investors in obtaining the long-term business visa.

Holidays: Cambodia celebrates 16 national holidays totalling 24 days in duration. These are listed below.

| | |
|--------------------|--------------------------------------|
| January 1, 2002 | International New Year's Day |
| January 7, 2002 | National Liberation Day |
| March 8, 2002 | International Women's Day |
| April 14-16, 2002 | Khmer New Year |
| April 26, 2002 | Visak Bochea Day |
| April 30, 2002 | Royal Ploughing Ceremony |
| May 1, 2002 | International Labor Day |
| June 1, 2002 | International Children's Day |
| June 18, 2002 | Queen's Birthday |
| September 24, 2002 | Constitution Day and 6 th |

Anniversary of the King's Re-coronation

| | |
|-----------------------------|-----------------------------------|
| November 9, 2002 | National Independence Day |
| October 5-7, 2002 | Phchum Ben |
| October 23, 2002 | Paris Peace Agreement on Cambodia |
| October 30-November 1, 2002 | King's Birthday |
| November 18-20, 2002 | Water Festival-Moon Festival |
| December 10, 2002 | Human Rights Day |

9.3. Business infrastructure:

There are a number of shipping agents operating in Phnom Penh and Sihanoukville who can handle air freight, sea freight, and overland shipping; several are listed on the U.S. companies list issued by the Embassy. Currently, many of the roads to major cities are in ill-repair, making overland distribution of products difficult. However, the national highway system is being restored with the assistance of bilateral and multilateral donors. English is widely spoken in business transactions. Chinese, French, Thai and Vietnamese are also widely spoken. Business travellers who speak only English may occasionally need to engage an interpreter, particularly in the provinces.

Telephone, fax, internet, and telegram services are available. Telephone service may be unreliable, especially for calls coming into Cambodia, or in remote areas. International telephone charges are relatively expensive compared to other countries in the region although the phone tariffs have been

reduced. The cost of a call to the United States is approximately \$1.80 per minute, to the rest of Asia \$1.60 and to Laos, Thailand and Vietnam \$1.50. Installation of state-owned telephone landlines is \$70. Monthly rental fees of such lines are \$8 in Phnom Penh and \$6 in provinces. However, there are often long delays in installation and telephone exchanges and cables are subject to problems; many individuals therefore opt to use cell phones, which are inexpensive and readily available. Cell phone services covering most urban areas are provided by the Shinawatra, Mobitel, and Samart companies. There are three internet providers: Camnet, Bigpond and Mobitel.

Hotel accommodations range in price from \$5 per night at guest houses to \$1,000 per night at the Royal Suite in the Hotel Inter-Continental, but clean modern accommodations are readily available for between \$60 and \$100 per night. Few hotels offer up-to-date business center services at reasonable prices, however. Reservations are recommended but not essential, due to a glut of hotel space and generally low occupancy rates in Phnom Penh. To assure the hotel of your choice during the November through April high season, travellers may wish to reserve rooms.

9.4. Medical Services:

There are in four private clinics in Phnom Penh whose western-trained doctors offer acceptable medical care, as well as a western-trained dentist. A current list with names, addresses and telephone numbers may be obtained from the U.S. Embassy consular section. There are three pharmacies, which provide a range of authentic U.S. and European products.

1. Naga Pharmacy Center
108 Sothearos, Hong Kong Center
Tel/Fax: 023 212 324
Open 24 Hours, Daily

2. Pharmacie De La Gare
81 Monivong Blvd.
Tel/Fax: 023 426 855

3. Pharmacies Penh Vong
352 Sihanouk Blvd., Phnom Penh
Tel: 023 213 043

Medical evacuation insurance (medivac) is advisable, and may be obtained through:
AEA International SOS Clinic – Phnom Penh #161, St. 51, Khan Doun Penh, Phnom Penh,
Cambodia
Tel: [855] (23) 216-911
Fax: [855] (23) 215-811

The fee for medivac insurance is approximately \$100-\$400 per year (monthly policies available).

9.5. Public Utilities:

Electrical power service in Phnom Penh has improved significantly over the past two years, although there are still outages. Many companies have their own generators, either as back-ups to assure reliability or as prime power generators due to the high cost of city power. Foreigners are charged \$US .21 per kilowatt hour. Cambodia's electrical service is 220 volts, 50 cycles (Hertz). The city draws water from the Mekong and Tonle Sap rivers; although treated, it is not potable. The city provides garbage collection, but solid waste disposal is not reliable in some neighborhoods. Bottled propane gas is available. There are two cable television companies in Phnom Penh.

9.6. The U.S. Embassy:

The U.S. Embassy can provide consular and business advisory services for U.S. travelers in Cambodia. Business travelers wishing to visit the Commercial Section should contact the Section prior to arrival in Cambodia at:

Stephen A. Druzak
Economic/Commercial Officer
U.S. Embassy Phnom Penh
Tel: [855] (23) 216-436
Fax:[855] (23) 216-811
E-mail: DruzakSA3@state.gov

Ly Kimchhay
Economic/Commercial Assistant
U.S. Embassy Phnom Penh
Tel: [855] (23) 216-436
Fax:[855] (23) 216-811
E-mail: LyKC@state.gov

Chapter 10: Economic and Trade Statistics

10.1. Domestic Economy

(Source: Ministry of Economy and Finance)

| | 1998 | 1999 | 2001 |
|-------------------------------------|-------|-------|-------------|
| Nominal GDP (US \$ million) | 2,868 | 3,131 | 3,090 3,257 |
| GDP Growth Rate (%) | 1.0 | 4.3 | 5.4 5.4 |
| GDP per Capita | 252 | 268 | 253 257 |
| Government Spending (%GDP) | 14.35 | 11.03 | 17.7 17.8 |
| Inflation (CPI , %) | 12.6 | 0.0 | (0.8) (.6) |
| Average Exchange Rate (Riel/US\$) | 3,800 | 3,819 | 3,880 3,900 |
| Gross Foreign Reserves | 3.7 | 3.4 | 3.6 3.8 |
| (months of imports) | 21.3 | 20.1 | 21 21.5 |
| Total Saving (% of GDP) | 612 | 635 | 682 769 |
| Total Investments (in US\$ million) | | | |

10.2. Trade Statistics

(Source: Ministry of Commerce).

| | 1998 | 1999 | 2001 |
|-----------------------------|------|------|--------|
| Total Export (US\$ million) | 795 | 933 | 1, 268 |

| | | | |
|--------------------------------|-------|-------|-------|
| Total Import (US\$ million) | 1,127 | 1,227 | 1,422 |
| Export to USA (US\$ million) | 292 | 493 | 843 |
| Import from USA (US\$ million) | 39 | 38 | n/a |

External Assistance Disbursement by Donors (Source: Council for the Development of Cambodia. All figures are in US\$ million unless indicated otherwise)

| | 1998 | 1999 | 2000* | 1992-2000 |
|------------------------|------|------|-------|-----------|
| Total disbursement | 433 | 413 | 478 | 3,670 |
| of which | | | | |
| Multi-lateral agencies | 165 | 156 | 202 | 1,242 |
| -- IBRD/World Bank | 29 | 35 | 42 | 244 |
| -- IMF | 0 | 11 | 11 | 96 |
| -- ADB | 36 | 27 | 53 | 246 |
| Bilateral donors | | | | |
| -- Japan | 71 | 88 | 90 | 787 |
| -- United States | 30 | 21 | 20 | 277 |
| -- France | 23 | 18 | 19 | 266 |
| -- Sweden | 13 | 11 | 17 | 138 |
| -- U.K. | 10 | 9 | 14 | 70 |
| -- Germany | 10 | 12 | 17 | 71 |
| -- China | 14 | 2.5 | 2 | 51 |
| NGOs | 56 | 55 | 55 | 297 |

10.3. * Provisional

2001 United States Government Assistance to Cambodia (Sources: USAID, DAO, and CINPACREP Phnom Penh)

| Recipient Program | US\$ 1000s |
|------------------------------------|------------|
| Fiscal year 2001 Total | 36,738 |
| Humanitarian Assistance | 3,338 |
| Democracy/Human Rights Programs | 8,514 |
| Maternal and Child Health Programs | 4,703 |
| Assistance to War and Mine Victims | 1,904 |

| | |
|-----------------------|--------|
| HIV/AIDS Programs | 10,170 |
| Micro-Credit Programs | 1,000 |
| De-mining Programs | 2,675 |
| Disaster Programs | 4,434 |

Chapter 11: U.S. and Cambodian Contacts

11.1. Royal Government of Cambodia

Council for the Development of Cambodia (CDC)
 Wat Phnom District, Phnom Penh, Cambodia
 Contacts: H.E. Mr. Sok Chenda Sophea, Secretary General
 Tel: (885-23) 981-183 or 981-162
 Fax: (855-23) 360-636
 Website: www.cambodiainvestment.gov.kh

Ministry of Commerce
 No. 22, Preah Norodom Blvd.
 Phnom Penh, Cambodia
 Contacts: H.E. Mr. Cham Prasidh, Minister
 Sok Siphana, Secretary of State
 H.E. Mr. Khek Ravy, Secretary of State
 Tel: (855-23) 366-871
 Fax: (855-23) 426-396
 Website: www.moc.gov.kh

Ministry of Industry, Energy and Mines
 No. 45, Preah Norodom Blvd.
 Phnom Penh, Cambodia
 Contacts: H.E. Suy Sem, Minister
 H.E. Ith Prang, Secretary Of State
 H.E. Nheb Bounchhin, Secretary Of State
 Tel: (855-23) 723-077/428-263/427-852
 Fax: (855-23) 428-263

Ministry of Public Works and Transport
 Preah Norodom Blvd
 Phnom Penh, Cambodia
 Contacts: H.E. Khy Taing Lim, Minister
 H.E. Ahmad Yahya, Secretary of State
 H.E. Tram Iv Tek, Secretary of State
 Tel: (855-23) 722-615
 Fax: (855-23) 723-708

Ministry of Agriculture, Forestry and Fisheries
 200 Preah Norodom Blvd
 Phnom Penh, Cambodia

Contacts: H.E. Chan Sarun, Minister
H.E. Chan Tong-Iv, Secretary of State
H.E. May Sam Oeun, Secretary of State
Tel: (855-23) 211-051/322-893
Fax: (855-23) 217-320

Ministry of Posts and Telecommunications
Corner Street 13 and 102, Sangkat Wat Phnom,
Phnom Penh, Cambodia

Contacts: H.E. So Khun, Minister
H.E. Lam Pouan, Secretary of State
H.E. Phan Pin, Secretary of State
Tel: (855-23) 426-993/426-510
Fax: (855-23) 426-992
Website: www.camnet.com.kh/mptc-srm.htm

Ministry of Tourism
No. 3, Preah Monivong Blvd.
Phnom Penh, Cambodia
Contacts: H.E. Veng Sereivuth, Minister
H.E. Thong Khon, Secretary of State
H.E. Nuth Nin Doeun, Secretary of State
Tel: (855-23) 427-130
Fax: (855-23) 426-877
Email: Tourism@Camnet.Com.Kh
Website: www.cambodia-web.net/camtourist/index.htm

Ministry of Economy and Finance
60 Street 92, Phnom Penh, Cambodia
Contacts: H.E. Keat Chhon, Minister
H.E. Kong Vibol, Secretary of State
H.E. Ouk Rabun, Secretary of State
Tel: (855-23) 428-634
Fax: (855-23) 427-798

Municipality of Phnom Penh
#69, Preah Monivong Boulevard, Phnom Penh
Contacts: H.E. Chea Sophara, Governor
Tel: (855-23) 428-627
Fax: (855-23) 724-156
Website: www.phnompenh.gov.kh

Cambodian Embassy in the USA
4500 16th St. NW
Washington DC, 20011
Tel: (202) 726 7742
Fax: (202) 726 8381
Contact: H.E. Mr. Roland Eng, Ambassador
Website: www.embassy.org/cambodia/

The National Bank of Cambodia (NBC)
No 22-24, Preah Norodom Blvd

Phnom Penh, Cambodia
Contacts: H.E. Chea Chanto, Governor
Ms. Sun Siphil, Deputy Governor
Mr. Phan Ho, Director of Bank Supervision
Tel: (855-23) 722-221/275-063/724-866
Fax: (855-23) 426-117

11.2. U.S. Government Contacts:

United States Commercial Service
(Washington, DC)
Trade Information Center
Tel: (800) USA-TRADE
Fax: (202) 482-4473
Website: www.ita.doc.gov/uscs

United States Commercial Service
U.S. Embassy Bangkok
Diethelm Tower A, 304
93/1 Wireless Rd.
Bangkok 10330, Thailand
Commercial Counselor: Karen Ware
Tel: [66](2)205-5090
Fax: [66](2)255-2915
E-Mail: Karen.Ware@Mail.Doc.Gov

United States Embassy Phnom Penh
(Cambodian Mailing Address)
27 St. 240, Phnom Penh, Cambodia
(U.S. Mailing Address)
Box P
APO AP 96546
Ambassador: Kent M. Wiedemann
Economic/Commercial Officer: Mr. Stephen A. Druzak
Economic/Commercial Assistant: Mr. Ly Kim Chhay
Tel: [855](23)216-436
Fax: [855](23)216-811
e-mail: DruzakSA3@state.gov
e-mail: LyKC@state.gov
Website: usembassy.state.gov/cambodia

Export-Import Bank Of The United States (Eximbank)
811 Vermont Ave. NW
Washington, DC 20571
Tel: 202-565-3510
Fax: 202-565-3380
Website: www.exim.gov

Overseas Private Investment Corporation (OPIC)
Mr. Bruce Cameron, Business Development Officer
1100 New York Avenue NW
Washington, DC 20527, USA
Tel: (202) 336-8745

Fax: (202) 408-5154
E-Mail: Bcame@opic.gov
Website: www.opic.gov

Multilateral Contacts:
Asian Development Bank (ADB)
Box 789
0890 Manila, Philippines
U.S. Executive Director: Amb. Linda Tsao Yang
Tel: [63](2)632-6050
Fax: [63](2)632-4003

U.S. Commercial Liaison: Mr. Denny Barnes
Tel: [63](2)890-9364
Fax: [63](2)890-9713
E-Mail: Dbarnes@cs.doc.gov
Website: www.adb.org

International Finance Corp. (IFC)
1850 I (Eye) St. NW
Room I-11-063
Washington, DC 20433, USA

Cambodia Investment Officer: Mr. Morgan Landy
Tel: 202-473-9350
Fax: 202-676-0820
Website: www.ifc.org

Multilateral Investment Guarantee Agency (MIGA)
1818 H St. NW
Washington, DC 20433
Tel: 202-477-1234
Fax: 202-522-2630
Website: www.miga.org

Market Research And Investment Advice (Listed Alphabetically):

Dirksen, Flipse, Doran & Le (Legal Advisors)
Tel: (855-23) 428-726
Fax: (855-23) 428-227
Contact: Mr. David Doran
Email: DFDL-PP@bigpond.com.kh

PriceWaterhouseCoopers Ernst & Young
#124, Norodom blvd.
Tel: (855-23) 218-086
Fax: (855-23) 428-076

Contact: Mr. Senaka Fernando and Mrs. Sally Relph

Indochina Research Limited
No. 216 Norodom Blvd.
Phnom Penh, Cambodia
Tel: (855-23) 215-184/362 753
Fax: (855-23) 215-190
Contact: Mr. Tim Smyth
Email: research@irl.com.kh

Tilleke, Gibbins, And Associates, Ltd. (Legal Advisors)
Tel: (855-23) 362-670
Fax: (855-23) 362-671
Contact: Mr. Bretton Sciaroni
Website: www.tginfo.com/firm/cambodia_profile.htm

Chapter 12: Market Research Available from the U.S. Embassy

Interested readers should periodically check the National Trade Data Bank for new reports. Up to date versions of this Country Commercial Guide can be accessed via the World Wide Web at www.stat-usa.gov, www.state.gov, and www.mac.doc.gov, or through the National Trade Data Bank. Other Embassy publications are available at the Embassy's website: usembassy.state.gov/cambodia

The Embassy can also assist U.S. businesses in locating qualified local consultants to perform market research on a contract basis.

Chapter 13: Trade Event Schedule

Following is a list of trade exhibitions scheduled for the year 2002. These events were organized by a local promoter, Exhibition Management Services (EMS), without U.S. Embassy sponsorship.

| | |
|----------------|--|
| Mid March 2002 | Khmer Celebration Fair |
| Mid June 2002 | Industrial Machinery (IMAX) Exhibition |

Readers should also contact the U.S.-ASEAN Business Council for information on possible additional events, at:

Ms. Frances Zwenig
Senior Country Director
U.S. ASEAN Business Council
1400 L St. NW Suite 375
Washington, DC 20005-3509
Tel: (202) 289-1911
Fax: (202) 289-0519
Website: www.usasean.org

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